Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore .... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils.500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils.500	Sweden SKr8.00
Egypt .... E£2.25	Lebanon ... $L100.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan .... NT$65
France FFr6.50	Malaysia Rm4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong.... HK$12	Netherlands... Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr7.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,298 Thursday July 30 1987 D 8523 A

UK economy: amber still the prevailing light, Page 15

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World News

London to Paris rail link given green light

British Prime Minister Margaret Thatcher and French President Francois Mitterrand expressed their joint support for a high-speed train service linking London and Paris in three hours or less. The announcement was made in the Elysee Palace during a ceremony to ratify the Channel Tunnel treaty.

It was proposed that the rail link should go into operation from the date of the tunnel's opening in 1993. Page 16

China retirements

Chinese President Li Xiannian revealed he intends to retire at a Communist Party congress later this year and indicated there could be a mass resignation of elderly leaders at the congress. Page 16

Jet fighter crashes

A Cheetah jet fighter, South Africa's most up-to-date strike aircraft, crashed during a training flight. The two pilots ejected safely when the home-produced jet crashed in a hilly area of eastern Transvaal.

Brazil strike called

Brazil's major trade union federations have agreed to strike on August 20 to protest against the government's economic policies. Workers are angry at a decision to abolish index-linked pay rises as part of an austerity programme.

Lebanon protests raid

Lebanon protested to the United Nations against an Israeli commando raid that left seven Lebanese dead and four wounded. Israel launched the seaborne raid on Sunday night.

Rebels bomb Lima

Peruvian left-wing guerrillas wounded two policemen and blew up power lines in Lima causing widespread blackouts. The incident took place only hours after President Alan Garcia Perez lifted a nightly curfew in the capital. Reaction to economic reforms Page 4

US Navy apologises

The US Navy said it deeply regretted an accident in which a navy warplane dropped dummy bombs which hit a Malaysian-registered cargo vessel in the East China Sea. One crewman was injured in the incident on Monday night.

Landslide search

Rescue teams dug through rocks and earth in search of up to 23 people feared buried by a landslide which hit three Italian Alpine villages near the Swiss border 10 days after floods claimed 19 lives in the area.

Spycatcher stumble

Australia's national security interests emerged as an obstacle for Mr Peter Wright in his continuing legal campaign in Australia for the right to publish his controversial memoirs. Page 6

Rijeka port strike

Yugoslavia's biggest dock strike ended with pay rises for dockers after a five-day stoppage paralysed the northern Adriatic port of Rijeka.

Talks on Tartars

Soviet President Andrei Gromyko will head a commission to discuss the future of Crimean Tartars demanding a return to their homeland. Page 2

Basque handover

French authorities handed over a Basque to police in the northern Spanish City of San Sebastian. He was the 71st Basque to be deported since France stepped up action against suspected Basque guerrillas last year.

Athens cools down

A 10-day heatwave, blamed for as many as 1,000 deaths in Greece, eased with a drop in temperature. Cemeteries were still storing 285 corpses awaiting burial due to a lack of space in graveyards.

Business Summary

Deutsche Bank profits slip 31%

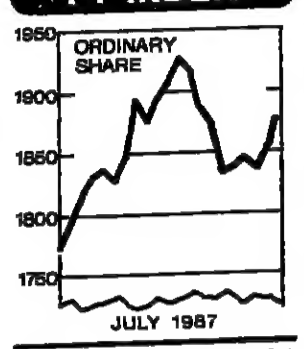
DEUTSCHE BANK, West Germany's largest commercial bank saw operating profits fall by 31.3 per cent to DM 666m ($360m) at parent company level in the first half of 1987 against the corresponding period last year. Page 19

WALL STREET: The Dow Jones industrial average closed up 19.77 at 2,539.54. Page 38

TOKYO: Strong buying of high-technology stocks and those sensitive to commodity price changes drove shares higher for the sixth successive session. The Nikkei average closed up 41.30 at 24,427.12. Page 38

LONDON: Strong rises in oils and golds helped equities extend their recovery. Gilts shed

FT INDEX



early gains. The FT-SE 100 index closed up 23.2 at 2,383.1 and the FT Ordinary index rose 19.4 to 1,874.4. Page 32

GOLD rose $2.50 on the London bullion market to close at $458.25. It also rose in Zurich to $457.95 ($456.50). Page 26

DOLLAR closed in New York at DM 1.8577, Y150.80, SFr 1.5375, FFr 6.1780. It rose in London to DM 1.8580 (DM 1.8570); to SFr 1.5390 (SFr 1.5375); and Y150.70 (Y150.40); but fell to FFr 6.1775 (FFr 6.18). On Bank of England figures the dollar's exchange rate index fell 0.1 to 103.8. Page 27

STERLING rose in London to $1.6005 ($1.5990); to DM 2.9725 (DM 2.97); to FFr 9.8875 (FFr 9.8825); SFr 2.4625 (SFr 2.4575); and Y241.25 (Y240.50). The pound's exchange rate index rose 0.1 to 72.7. It closed in New York at $1.5995. Page 27

BRUSSELS stock exchange hit an eighth successive record, but stockborkers warned that the present strong bull market could soon weaken. Page 38

BOEING shares continued to trade heavily but their price slipped as markets remained in the dark about the intentions of Mr T. Boone Pickens, the Texas corporate raider.

GEMINA, financial holding company which is directly controlled by Fiat of Italy, is to buy a 17.5 per cent shareholding in the Intercontinentale insurance concern from Latina, insurance company controlled by Mr Carlo de Benedetti. Page 19

EXXON AND DU PONT, two of the biggest companies in the Dow Jones Industrial average, raised their dividends by 11 per cent and 6 per cent respectively. Page 17

IRWIN JACOBS, Minneapolis investor, confirmed that he holds slightly less than 10 per cent of the common stock in Allegheny International and said he is acquiring the stock for investment purposes only. Page 17

TENNECO, leading US natural gas production and distribution company, made $46m or 24 cents a share in the second quarter, marginally down on its net income from continuing operations of $53m or 25 cents the year before and below market expectations. Page 17

HOOKER CORP, one of Australia's largest property groups, announced a US$250m deal to acquire control of Parisian Inc, a chain of 16 fashion stores in Birmingham, Alabama. Page 18

MONIER, Australian building products company which has been the subject of two competing takeover bids, became a subsidiary of Redland, British building group, after the UK company lifted its Monier holding from 49.9 to 50.1 per cent. Page 18

Sri Lankan peace accord signed as rioting intensifies

BY OUR FOREIGN STAFF

THOUSANDS of Sinhalese rioters marched on the Sri Lankan capital of Colombo and public buildings were set on fire in other cities yesterday as Mr Rajiv Gandhi, the Indian Prime Minister, and President Junius Jayawardene of Sri Lanka, signed a peace deal aimed at solving the island's deteriorating ethnic crisis.

The agreement, signed in Colombo, is a diplomatic coup for Mr Gandhi because it significantly expands India's military and diplomatic influence as the major power in South Asia, meeting several of his country'slong-term strategic aims. India is also to "underwrite and guarantee" the agreement because of its power to control Tamil extremists operating from its territory.

But the accord, designed to give the minority Tamil population a semi-autonomous homeland and bring to an end four years of violence in which 6,000 people have died, encountered an extraordinary array of opposition.

The most powerful Tamil separatist group, the Tamil Tigers, vowed to fight on for an independent state although in New Delhi their leader, Mr Velupillai Prabhakaran, appeared to be moderating his position.

President Jayawardene: ready to dissolve parliament if necessary

Fifteen Sinhalese were shot dead as they rampaged for the second day in spite of a curfew although police and army managed to keep all marchers away from Colombo's centre and the presidential palace where the accord was signed.

Some key ministers, including Mr Ranasinghe Premadasa,Prime Minister, and Mr Lalith Athulathmudali, stayed away from the welcoming ceremony for Mr Gandhi.

Under the accord a ceasefire between Sri Lankan security forces and Tamil extremists takes effect tomorrow. Extremists are to surrender arms, and troops are to withdraw to their barracks by Sunday afternoon.

A general amnesty will follow later and there are to be elections by the end of this year to new provincial councils, including one adminsitration for a merged northern and eastern province, in line with Tamil demands. This merger could be unscrambled after a referendum before the end of next year, and Mr Jayawardene said yesterday he would personally campaign for such a move in the referendum campaign.

Background, Page 3; Editorial comment, Page 14

Continued on Page 16

Fresh Soviet space arms plan excludes Star Wars

BY WILLIAM DULLFORCE IN GENEVA AND STEWART FLEMING IN WASHINGTON

THE SOVIET UNION yesterday presented the US with a draft agreement on space weapons, only six days after Moscow's acceptance of the global elimination of medium-range missiles.

A follow-up Soviet draft treaty on the longe-range (over 5,000km) offensive nuclear weapons would be tabled in Geneva "in the next few days," Mr Alexei Obukhov, the chief Soviet negotiator said. Soviet officials said that this could be done tomorrow.

The space weapons draft was quickly rebuffed by the US, although Mr Obukhov said it opened the way for the radical reduction in strategic nuclear arsenals decided on in principle by President Ronald Reagan and Mr Mikhail Gorbachev in Reykjavik last October.

In Washington, the White House spokesman, Mr Marlin Fitzwater, took a firm line on the Soviet draft. President Reagan remained deeply committed to the development of space weapons, which the Soviet proposal would have the effect of halting, he said.

Mr Fitzwater stressed that "the primary area of progress" in the arms negotiations should be on intermediate-range missiles, although the US wanted to make as much progress as possible on strategic weapons.

Mr Henry Cooper, the chief US space weapons negotiator, said the Soviet space draft contained some new details but did not change "the big picture." It continued to hold the reduction in strategic arms hostage to a halt to the Strategic Defence Initiative (SDI).

Soviet insistence on linking a strategic weapons accord with SDI was confirmed by Mr Obukhov. He also disapproved of US allies participating in SDI programmes. Britain, West Germany, Italy and Japan have signed such deals.

Moscow's latest move indicates its desire to step up pressure on the US in all three categories of weapons under negotiation in Geneva - space, strategic and intermediate range.

Mr Obukhov said the draft tabled yesterday aimed at strengthening the 1972 US-Soviet anti-ballistic missile (ABM) treaty into a "reliable barrier preventing the appearance of offensive weapons in outer space."

Interpretation of this treaty has been a point of contention not only between Moscow and Washington but also between the Reagan Administration and the US Congress. Influential senators such as Mr Sam Nunn, chairman of the Senate Armed Services Committee, do not accept that it allows the US to test weapons in space.

The Soviets suggest both sides should agree not to withdraw from the ABM treaty and to observe strictly all its provisions for 10 years while a strategic arms agreement is being implemented.

In addition, the Soviet draft would restrict work on space weapons to research within laboratories on Earth.

Mr Obukhov emphasised that the draft included much new detail. It defined the sort of research to be allowed, spelt out ways of verifying compliance with the treaty and listed the devices which could not be placed in outer space.

Thorn EMI buys leading US electronics rental company

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

THORN EMI, the diversified UK electronics and retailing group, signalled the end of its wide-ranging rationalisation programme yesterday when it moved back onto the takeover scene with the £371m ($593.6m) acquisition of Rent-A-Center of the US.

The purchase of the group, one of the three leading consumer electronics rental companies in the US, follows the sale of almost £400m worth of assets and 41 business since 1985. In the course of the past six months alone, Thorn has disposed of its domestic appliance business to Electrolux of Sweden and its Ferguson television manufacturing facilities to Thomson of France.

Initial reaction to Thorn's move in the City of London, where the company's takeover excursions in the early 1980s lef' several jaundiced investors, was to mark the shares sharply lower. But by the close of trading they had recovered to 744p, a fall of 12p on the day.

The decline in the share price

Thorn EMI international TV rentals	
1984	641,000
1985	671,000
1986	731,000
1987	814,000
1988(est)	903,000

was also partly explained by a 1-for-4.38 share issue to finance the acquisition. The new shares, underwritten by Goldman Sachs, the US investment bank, were placed with institutional investors early yesterday morning, but all shareholders will be offered claw-back arrangements to participate in the issue.

The Rent-A-Center purchase will be seen as a critical test of the new management team which took over the group after Mr Peter Laister, the former chairman, was removed in a boardroom reshuffle two years ago.

Since then, the Thorn shares have recovered strongly as the company has retreated from both manufacturing and some of the new high-technology areas that it had been trying to enter. But this rationalisation phase, which has also seen debt reduced from more than 60 per cent of shareholders' funds to about 15 per cent after the latest disposals, is now being converted into a push into global markets in the remaining businesses - rental and retail, defence electronics, music and lighting.

Mr Colin Southgate, Thorn's chief executive, said yesterday that the Rent-A-Center acquisition fulfilled the strategic objectives of backing businesses "from which adequate profits can be gained, which have international potential, and where the company has or can obtain excellent management and expertise."

Rent-A-Center's net profits have jumped from $2.8m in 1982 to $9.9m last year and it is estimating earnings of $13.8m in the current 12 months.

Lex, Page 16; analysis, Page 22

Sharp change of tone in war of words

French squadron sets sail for Gulf

By George Graham in Paris and Andrew Whitley in Dubai

FRANCE YESTERDAY prepared a show of force in the Middle East by ordering a naval squadron to sail for the region with a view to protect the country's shipping interests.

The 30,000-tonne aircraft carrier Clemenceau, accompanied by two frigates and a refuelling vessel, is expected to sail from the Mediterranean port of Toulon this morning, and could reach the Gulf in a fortnight.

The decision came as the US prepared to resume its stalled escort operation for Kuwaiti-owned tankers sailing under the American flag, despite a continuing threat from mines in the Gulf and further warnings from Iran that it would attack shipping bound for Kuwait.

Mr Jacques Chirac, the French Prime Minister, said the move was nothing dramatic, but was a proof of firmness.

"We have no aggressive intentions, but we demand to be respected and will do what is necessary to make sure that we are," he said yesterday, after meeting Mrs Margaret Thatcher, UK prime minister.

Diplomats in Paris were unsure what mission the naval squadron would accomplish, besides a show of strength. They noted that French shipping in the Gulf was now on a very small scale, and that the French navy escort vessels already in the area were enough for the few ships that remained.

France has also begun to apply economic pressure on Iran by discreetly urging oil companies not to buy Iranian crude.

The Industry ministry said yesterday that no French oil companies were at the moment buying oil from Iran. Oil companies confirmed that they had stopped their purchases, although some said they had taken this decision a few months ago on price grounds.

In the Gulf, the US tanker convoy, including the supertanker Bridgeton damaged by a mine on Friday, is expected to sail again from Kuwait at the weekend.

Choppy seas yesterday halted efforts by the US Navy to clear a safe passage for it through a suspected Iranian-laid minefield in a deep water channel where the Bridgeton was hit. Divers, operating from US helicopters equipped with sonar devices, have already located several mines moored to the sea bed.

However, the US is also urgently considering other options for improving its minehunting operations,

Paris prepared for crisis that may last months

BY GEORGE GRAHAM IN PARIS

FRANCE'S DECISION yesterday to send an aircraft carrier and its support squadron to the Middle East marked a change of tone in what has until now been a war of words between France and Iran, a war in which neither side has shown any sign of giving ground or offering a way out.

Diplomatic observers question whether any practical purpose can be achieved by the French naval force, since there are already two escort vessels in the Gulf to look after the limited French merchant marine traffic in the area.

The move is felt, nevertheless, to underline France's determination not to give way. Coupled with discreet government efforts to discourage French oil companies from buying Iranian oil, the measure seems designed to maintain a gradual build-up of pressure.

The crisis began a month ago, when French police surrounded the Iranian embassy in Paris in a bid to question Mr Wahid Gordji, an interpreter at the embassy who is wanted for questioning in connection with last year's terrorist bombings that left 12 dead in Paris.

Iran still refuses to hand Mr Gordji over, and the formal breaking off of diplomatic relations two weeks ago, far from forcing the crisis between the two countries to a head, appears if anything to have slowed things down.

French officials are now resigned to a struggle that may last for months. The only outcome they rule out is any form of compromise by which Mr Gordji would be allowed to leave Paris without answering the summons of Mr Gilles Boulouque, the magistrate investigating the September terrorist bombings.

In Tehran, meanwhile, France's diplomats remain blockaded by Revolutionary Guards in their embassy compound on Neauphle le Chateau Street, named after the small town near Paris where the Ayatollah Ruhollah Khomeini spent his last months of exile before returning to Iran in 1979.

Negotiations on allowing both sides' diplomats to return home have been agonisingly slow.

France had originally suggested the whole exchange should be completed in five days, but it took 10 simply to sign an agreement on the representation of French interests in Iran by Italy and the representation of Iranian interests in France by Pakistan.

Even now, officials say there has been no agreement on the

number of diplomats to be allowed in the respective interest sections in the Italian and Pakistani embassies.

Progress on the major question of whether Mr Gordji should answer questions about his links with Mr Mohammed Mohadjer, a Lebanese arrested earlier this year and charged with terrorism offences, has so far been virtually non-existent.

France and Iran have conducted a desultory debate on the finer points of the Vienna Convention on the treatment of diplomats - is Mr Gordji covered by Article 37, which provides some diplomatic immunity for the administrative or technical staff of an embassy, as Iran claims, or by Article 38 which stipulates that there can be no such immunity for permanent residents of the host country such as Mr Gordji?

Both sides know, however, that this is not a debate on points of protocol but a trial of wills.

In France, in particular, officials have abandoned the policy of trying to find moderate elements in the Iranian Government with whom it is possible to deal.

"The Iranians may sometimes disagree on the precise dosage of diplomacy and terrorism to use to achieve their policy goals, but it is an illusion to think that you can make a deal with one faction against another," commented one senior official.

French officials are confident that they can maintain the unanimity which has up to now reigned between President Francois Mitterrand and his Socialist supporters on the one side, and the right-wing government of Mr Jacques Chirac on the other.

The issue is delicate, since Mr Mitterrand is at pains to dis-

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PUTTING THE SHINE BACK ON THE EMBLEM

Mr Edzard Reuter: the master strategist chosen as chairman-designate of Daimler-Benz. Page 14

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STATE SUBSIDY SUSPECTED IN PURCHASE PRICE

Brussels investigates Alfa takeover

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission *yesterday launched an inquiry* into whether last year's takeover of Alfa Romeo by Fiat contravened EC rules on state aid.

EC competition authorities are to investigate the provision by the Italian Government of L206.2bn (£95.5m) to Alfa Romeo in 1985 and whether the price for which the heavily loss-making group was later sold to Fiat contained illicit state assistance.

The Treaty of Rome forbids the payment of any state aid likely to distort free trade between member states. It allows the Commission to force companies to repay financial assistance and to take the governments involved before the European Court of Justice in Luxembourg. Italian officials confirmed yesterday that they would co-operate fully with the inquiry which is to be discussed at a meeting with EC competition authorities in early September.

According to Commission estimates the Rome Government subsidised the price Fiat paid for Alfa Romeo by between L290bn and L566bn. It is believed that Fiat picked up the whole group for an effective price of L400bn which compares with the L340bn which Ford of the US had earlier offered for just 20 per cent of the shares.

Commission officials believe the government subsidy could be even larger in view of the fact that Fiat only assumed responsibility for L700bn out of Alfa Romeo's total debts of L2,100bn.

The Government *has said that* the separate injection of L206.2bn two years ago was to cover Alfa Romeo's losses for 1984 and the first half of 1985. However, Commission figures show that *Alfa Romeo's exports* to the rest of the EC rose from 34 per cent of total production in 1985 to 43 per cent of output in the following year, suggesting that government assistance had taken a measurable impact on its ability to compete.

Yesterday's announcement follows a series of Commission attempts since last October to elicit a satisfactory explanation from Rome on why Fiat apparently paid a much lower price for the group than that offered by Ford.

In a separate move the Commission yesterday closed its *inquiry into plans* by the carmaker Daimler Benz to build a plant near the West German town of Rastatt. This follows the withdrawal of an aid scheme by the town and Baden-Wuerttemberg *state authorities and* ends what has been seen as an important test of the Commission's attitude to regional development incentives.

The public authorities in West Germany were originally planning to pay for the full preparation of the site amounting to DM 100m illicit aid according to the Commission. Daimler Benz will now pay DM 132m for preparing the site, but will *still* be permitted to buy the land at a relatively low price because of its present unsuitability for industrial use.

Tighter control of safety at work proposed

BY TIM DICKSON IN BRUSSELS

AN *important* new programme of European Community legislation on health and safety at work could be implemented by the end of the year if plans announced this week in Brussels win the approval of member states.

The proposals at this stage have *only* been outlined in very general terms but will cover *among other things the protection* of workers from cancer causing agents, cadmium deposits, lead and pesticide products. Saftey aspects will include adequate warnings in factories and *safety* procedures, with special attention promised for the construction industry.

Detailed recommendations are likely to be submitted by the Commission to ministers at the end of September or in early October following a meeting with the Consultative Committee for Safety, Hygiene and the Protection of Workers' Health, which represents both *sides* of industry in the Community.

The initiative is a direct result of the introduction of the Single European Act, the amendment to the Treaty of Rome which specifically encourages greater harmonisation and a stepping up of EC action in the health and safety field. The issues involved are also of particular concern to Denmark, which has just begun its six month spell in the chair of the Council of Ministers and which *thus has had the opportunity* to influence the EC's working agenda over the next few months.

The Danes will be conscious that new directives in this area *can now be agreed by a qualified* majority of member states (previously decisions had to be unanimous), though the new "co-operative procedure" with the European Parliament means that the end of the year is the earliest time that the legislation could be in place.

Under the two previous EC programmes, seven directives were adopted by the Council covering protection against dangerous chemicals and accidents *at work. Three others* remain blocked.

The new programme will cover information and training and pay attention to the problems of small and medium sized *businesses. A Commission official* emphasised that small businesses would not be allowed to adopt lower standards, "but financial and technical help will probably be provided" to help them reach the necessary levels.

Talks in Athens on US bases

BY ANDRIANA IERODIACONOU IN ATHENS

MR MICHAEL ARMACOST, the US Undersecretary of State for Political Affairs, arrived in *Athens yesterday for a two-day* official visit during which he is expected to urge a speedy end to the uncertainty surrounding the future of the four US military bases in Greece when the *agreement on their operation* expires in December 1988. The highlight of the visit will be a meeting with the Prime Minister, Mr Andreas Papandreou.

Mr Papandreou, who came to power in 1981 on a platform of closing the bases but signed a five-year defence and economic co-operation agreement with the US in 1983, has said that he is willing to sit down to negotiations on a new agreement but will submit it to a referendum before signature.

The negotiations have not yet started, however. While Athens has been happy to play for time, Washington, which had hoped to clinch the bases deal by the summer, has made no secret *of its impatience.*

In the most recent delay, the start of the bases talks was stalled at the last minute last June when a row broke out between Athens and Washington over the issue of terrorism. The quarrel was sparked off by press reports alleging that the US had accused Greece of dealings with Arab terrorists.

The quarrel was defused and the visit rescheduled for this week only after Mr Armacost assured the Greek Government *in writing that it did not stand* accused by Washington of any wrongdoing

In a statement designed to smooth any remaining ruffled *feathers yesterday, the US* Undersecretary of State described Greece as "a nation with which Americans are proud to share so very much in terms of values, achievements and aspirations." In a broad hint on the bases issue he said: "An important agenda lies before us which any government is determined to continue addressing carefully."

Armacost: official visit

Bad weather hits East German growth in first half

BY LESLIE COLITT IN BERLIN

EAST GERMANY is unlikely to embark on Soviet or Hungarian-type economic reforms as long *as its economic performance* is better than that of the other Comecon countries, believes the German Institute of Economic Research (DIW) in West Berlin.

In a *report* on the East Germany economy in the first half of this year, DIW says that national income (Gross National Product minus services) grew by 3 per cent, failing to meet the target of 4.5 per cent because of severe winter weather which curtailed energy and industrial output. None the less, industrial production rose 4 per cent against the target of 4.6 per cent.

DIW notes that while East German companies are to be allowed greater leeway to decide on investments and will be able to use some of their hard currency earnings for Western imports, there is no sign East Germany wants to emulate Soviet economic reforms. The institute points out that prices remain fixed administratively

A reduction of subsidies to companies as planned in the Soviet Union and Hungary is "nowhere in sight" for East Germany, DIW says. Instead, subsidies and price supports for companies have steadily risen from year to year. However, East Germany has gradually introduced measures to "indirectly control" companies which are to achieve a greater degree of self-financing. In the first half of the year East Germany also licensed 2,000 private tradesmen.

According to DIW East German foreign trade statistics were as sparse as ever. But it calculates that East German exports in the first six months fell by 4 per cent while imports dropped 5 per cent. Deliveries to West Germany fell by a sharp 10 per cent as a result of lower oil prices. East Germany sells crude oil and oil products to the West from imported Soviet oil and is expected to benefit from higher oil prices in the second half of the year, DIW says.

Economic and political change planned for Bulgaria

BY JUDY DEMPSEY IN VIENNA

RADICAL CHANGES in the running of the Bulgarian economy and the organisation of the Communist party and state administration has been urged by Mr Todor Zhivkov.

Mr Zhivkov, party *leader* since 1954, made what amounted to a sharp attack on government and party institutions at a plenum of the Bulgarian central committee. During the *plenum, he focused on three* main areas for restructuring.

On the economy, he said the currency, the leva, should be reformed in such a way as to reflect its real value, and the market should be given "greater influence," *suggesting an official endorsement of* some private property. He also called for a "democratisation of foreign trade." This may allow enterprises greater freedom in trading with *foreign companies*, as well as reducing bureaucracy and corruption in the Bulgarian *Foreign Trade Ministry*. A "new headquarters of state power" would be set up to implement these changes.

Changes would also take place in the state bureaucracy. *The state council*, a largely ceremonial institution, set up in 1971 with Mr Zhivkov as its head, would be disbanded along with the council of ministers. It is *unclear what will become, if* anything, of the Prime Minister, Mr Georgi Atanasov. *Over the past two years, Mr* Zhivkov has tended to disband government bodies but replace them with new organisations leading to considerable confusion about the *precise role of government* and other bodies.

The National Assembly, or Parliament, until now a virtual rubber stamp organisation, would be turned *into "a collective working* body of self-management," whose new powers remain unclear.

Under these new conditions, which sources in Sofia have described as "absolutely confusing," the leading role of the party would be enhanced *by focusing more on its own* interests. Some of these changes require amendments to the constitution. A special party conference to discuss the proposed changes will be *held in December.*

Cossiga swears in Italian Government

A NEW five-party Italian Government took office yesterday headed by Mr Giovanni Goria, at 43 the country's youngest Prime Minister since the Second World War, Reuter reports from Rome.

The 30-member cabinet of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals was sworn in by President Francesco Cossiga and is expected to win votes of confidence in both houses of parliament by next week.

The two-week effort to form a Government by Christian Democrat Mr Goria, Treasury Minister for the past five years, was unexpectedly delayed by last-minute haggling

The composition of the new government is similar to Mr Craxi's cabinet although the Socialists, who gained in the June election and who have conceded the premiership, have won two extra ministers. There are 15 Christian Democrats, eight Socialists, three Republicans, three Social Democrats, and one Liberal.

The list of ministers is as follows:

Prime Minister and *minister, Giovanni Goria* (DC), Deputy Prime Minister and Treasury, Giuliano Amato (PSI), Foreign Affairs, Giulio Andreotti (DC).

Interior, Amintore Fanfani DC), *Justice, Giuliano* Vassalli (PSI), Finance, Antonio Gava (DC).

Budget and Economic Planning, Emilio Colombo (DC), Defence, Valerio *Zanone (PLI), Agriculture* and Forests, Filippe Maria Pandolfi (DC).

Labour, Salvatore Formica (PSI) Regional Affairs, Aristide Gunnella (PRI) Civil *Protection (against natural* disasters), Remo Gaspari (DC) Education, Giovanni Galloni (DC) Public Works, Emilio de Rose (PSDI) Transport, Calogero Mannino (DC) *Posts, Oscar Mammi (PRI)* Industry, Adolfo Battaglia (PRI) State Participation, Luigi Granelli (DC) Foreign Trade, Renato Ruggiero (PSI) Health, Carlo Donat-Cattin (DC)

(DC — Christian Democrat Party. PSI — Socialist Party. PRI — Republican Party. PSDI — Social Democrat Party. PLI — Liberal Party).

Hope for twin towns crosses German border

David Marsh in Bonn reports on a symbol of unity which may grow from Honecker's visit to the West

THE VISIT in September to West Germany by Mr Erich Honecker, the East German leader, is not the only sign of the growing mood of partnership between the two halves of the divided country.

Backed by the Bonn Government, a growing number of West German towns is signing "twinning" agreements with communities in East Germany.

The forging of fresh links across the split nation is clearly only in an embryonic stage. But it is partly an attempt to rediscover a common heritage stretching back to the loose German empire of the Middle Ages, centuries before the advent of the nation-state unified by Bismarck in 1870 and rent asunder by Hitler's war.

"German history did not start with Bismarck. There have been so many Germanys – including those alongside each other," says Mr Richard Nospers, the mayor of the Saar town of Saarlouis, which last year was twinned with Eisenhuettenstadt *in East Germany in the* first such accord.

Mr Hans Heun, the mayor of Hof in Bavaria, which hopes soon to sign an agreement with Plauen across the border in East Germany, says he would be happy with a loose idea of nationhood linking communities in different states "with the same language, the same history."

Recalling the disparate patchwork of kingdoms and principalities which made up the first German empire, he says, "The empire after the Thirty Years War (in 1648) consisted of 300 territories. Achieving unity was so difficult... The main aim now is that the frontier should be permeable."

Mr Nospers is from the Social Democratic Party (SPD) and believes *that West Germany should* abandon its official goal of German reunification by giving full recognition to East Germany as a separate country.

Mr Heun is on the other side of the political spectrum, from the rightwing Christian Social Union (CSU), the Bavarian conservative party.

With true Bavarian determination, Mr Heun launched the partnership bid by driving to Plauen last year with a coachload of town councillors. He also enlisted the help of Mr Franz Josef Strauss, the Bavarian Prime Minister, to win support for the idea with Mr Honecker during a chat at the Leipzig fair.

What Mr Nospers and Mr Heun have in common is a belief that West and East Germans should try to make the best of the post-war divide by trying to build bridges across it.

So far, eight East-West German *links have been agreed*, with another five, including the Hof-Plauen association, due soon.

The Bonn Government says that the number of West German towns and communities interested in such ties now totals 460, up from 350 a year ago.

Like so much else in the looking-glass world of East-West German politics, there is, however, a diametric *divergence of motives between* Bonn and East Berlin.

Mrs Dorothee Wilms, Bonn's schoolmistress-like Minister for Inner German Relations, stresses that partnerships are meant to promote "neighbourly togetherness" within a geographical area still regarded officially, in the Federal Republic, as the German nation. "For us, the German Democratic Republic *is never a foreign country (Ausland)*," she declared in a recent speech.

For the East Germans, on the other hand, such partnerships are meant to demonstrate something completely different – the separateness of East and West Germany. Mrs Wilms has darkly warned local councillors that association accords might be "misused" by East Germany.

It is clear that the East Berlin regime allows towns to enter twinning arrangements only if it believes this will further East Germany's "legitimacy" as an independent country. Individual twinning links are agreed, Bonn officials believe, only with the approval of Mr Honecker.

It was no coincidence that three of the first batch of partnerships were with towns in the Saar region where Mr Honecker was born and which he will visit in the most emotive part of his four-day West German trip.

The Saar is also one of the bastions of the SPD, which has a good working relationship with the East Berlin leadership. Of the 13 completed or prospective agreements, nine are with towns run by the SPD.

Exactly what happens when East and West German towns agree to twin is a matter for some conjecture. Mr Nospers of Saarlouis, who says he would be happy to welcome Mr Honecker in his own town, already has a model in mind for East-West partnerships.

Exchanges with Eisenhuettenstadt, he says, should ideally have the same quality and informality as those under *Saarlouis'* 18-year-old twinning arrangement with Saint Nazaire on the French Atlantic coast. The town shares the fate of Saarlouis of being devastated by bombing in the Second World War.

So far, since the formal inauguration of links last September, Saarlouis and Eisenhuettenstadt have dispatched to each other bands, choirs, sports teams and a delegation to a "peace symposium."

Compared with the association with Saint Nazaire, Mr Nospers says, an accord is "more difficult with a state with a different system." The formal, centralised East German administration, and the close connection of East German clubs and associations to the state or the army, dampens private initiative, he says.

But links must be enlarged slowly – West German partnerships with French or British towns "started small in the first place." And he adds: "At least everyone speaks German."

The East German authorities insist that their citizens travelling on exchange visits must be lodged only in hotels – to keep them together as a group and avoid private fraternising with West Germans.

Hotel accommodation contrasts with the private houses used to put up visitors from Saint Nazaire. Hotels not only give a less warm welcome *but also increase to DM* 100,000 ($54,000) from the originally planned DM 10,000 the annual cost to the Saarlouis town budget for the association arrangement.

Over the next 12 months, says Mr Nospers, Saarlouis will attempt to persuade the East German authorities that visitors from Eisenhuettenstadt can be lodged in West German homes.

Whether or not this small step towards normal relations actually comes off could easily depend on how much Mr Honecker is made to feel at home during his September journey.

Swedish union rift over membership

By Sara Webb in Stockholm

THE BITTER row between two of the largest blue-collar unions in Sweden has damaged the trade union movement and could jeopardise negotiations over the unions' use of the right to strike in future, Mr Stig Malm, the leader of the Swedish Trade Union Confederation (LO), warned yesterday.

The row between the Municipal Workers' Union and the Transport Workers' Union is about who should take charge of 12 crane operators at the port of Koeping. It has resulted in a crippling 10-day-old sympathy strike by 100 crane operators belonging to the Municipal Workers' Union in the ports of Oskarshamn and Gothenburg, where port authorities claim it is costing SKr 1.5m ($231,000) a day in lost revenue.

The conflict has proved especially embarrassing for Mr Malm, to whose confederation both unions belong. He supports the LO secretariat's decision that the Koeping crane operators should belong to the Transport Workers' Union so that labour in the port can be organised more efficiently.

Representatives of the unions and employers' organisations recently met Mrs Anna-Greta Leijon, the Labour Market Minister, to discuss problems arising out of last year's acrimonious wage negotiations.

The Municipal Workers' Union and its militant leader, Mr Sigvard Marjasin, have come under sharp attack from both Mrs Leijon and Mr Malm for using industrial action as a weapon against an employer when the source of the dispute lies within the labour movement.

Inquiry into Iran boat sale

By Sara Webb

SWEDISH authorities said yesterday that they are investigating whether 40 rescue launches, which were sold to Iran in 1983-84 and are being used by Iranian Revolutionary Guards to threaten foreign tankers in the Gulf, had been specially reinforced so as to carry weapons.

The decision follows concern that the sale of reinforced boats could *have contravened Sweden's strict* weapons export regulations.

The Swedish armaments inspectorate, which is responsible for handling all weapons exports, said that, if the boats had been reinforced in Sweden to carry weapons, they would automatically count as military equipment and so should have applied for government permission.

Portugal tightens bank credit

By Diana Smith in Lisbon

FACED WITH unrelenting pressure on private and public consumption and credit, the Bank of Portugal has imposed further restrictions and commercial bank credit in the hope of keeping inflation close to this year's official target of 8 per cent.

The central bank has instructed commercial banks to reduce their monthly credit ceiling by a total of Es 46.4bn (£199m). Since January, credit ceilings have been gradually lowered by a total of close to Es 100bn. Domestic credit has grown by 20.7 per cent in the period.

The buoyancy of the economy since a harsh corrective period of austerity ended in 1985 has been highly positive in that investment has picked up and job creation improved. But it is also *risky because the bloated* public sector's finacing needs, combined with exuberant private consumer demand arising from wage gains and restored political confidence, are strong inflationary factors.

Determined to get Portuguese inflation closer to EC averages by the end of next year the Government and the Bank of Portugal have, so far, used tighter credit ceilings as a tool against overheated money supply. But there is a growing movement in favour of letting interest rates rise in the autumn in the hope of sucking excess liquidity out of the system.

Tartar demonstrations in Moscow have brought the nationalities problem to the fore again, writes **Patrick Cockburn**

Kremlin ponders how to damp down the fires of nationalism

OVER THE next month a commission headed by President Andrei Gromyko will meet in Moscow to discuss the future of Crimean Tartars who are demanding to return to the homeland from which they were deported in 1944 after being accused of collaboration with the Nazis.

The Government's agreement to reopen the issue is surprising as was the decision to allow some 100 Tartar activists to stage a prolonged demonstration in Red Square. This ended last Sunday when Mr Gromyko agreed to see them.

After that meeting the Tartars, many of whom now live in Uzbekistan in Soviet Central Asia, said they were dissatisfied because he had proposed no concrete solutions. A spokes*man said 800 Tartars would stay* in Moscow to plan their future strategy.

They are unlikely to be wholly satisfied by the commission's decision. The Crimea, now part of the Ukraine, will almost certainly not be made an autonomous republic again. A further difficulty is that, even in 1944, Tartars constituted only a fifth of the population of the Crimean peninsula and today Ukrainians and Russians live in areas once inhabited by the deported Tartars.

Nevertheless, the demonstration and the response to it are important because they are a fresh indication that the Government's policy on nationalities, and above all policy on relations between Russians, who make up half the 283m Soviet population, and the non-Russian is now in a state of flux.

The nationalities question has been a vital issue since the *1917 Revolution. Three leaders* in a row — Stalin, Khrushchev and Brezhnev — were all the members of the politburo most familiar with dealing with non-Russians when elected. In any *important political decision* taken by the Kremlin the effect on the different nationalities, of which there were 92 listed in the 1979 census, must be taken into account.

But nationalities policy only became a pressing problem for Mr Mikhail Gorbachev last December when riots broke out in Alma Ata, the capital of the Central Asian Republic of Kazakhstan. Two people died in protests against the appointment as Communist party leader of Mr Gennady Kolbin, a Russian, to replace Mr Dinmukhamed Kunaev, a Kazakh who had ruled the republic since 1964.

Ever since the riots there has been a prolonged post-mortem on why the riots occurred and what can be done to prevent them happening again.

The lessons being drawn are important because the Soviet Union has a federal structure of government. There are 15 republics with enormous variations in population, from 50m in the Ukraine to 1.5m in Estonia. There are also 20 autonomous republics (it is this status the Crimean Tartars want back) and 18 autonomous districts giving lesser degrees of autonomy to smaller ethnic groups.

The demonstration and the response to it are important because they are a fresh indication that the Government's policy on nationalities is now in a state of flux

Mr Gorbachev clearly believes there is nothing fundamentally wrong with this system. The official explanation for the Alma Ata riots is essentially the survival of old ethnic divisions sharpened by the results of the corruption and incompetence of Mr Kunaev and the former Kazakh party leadership.

Soviet press reports say Kazakh nationalism was fanned by social deprivation which was blamed on Russians. For instance a shortage of meat in the shops was blamed by Kazakhs on the rest of the country taking so much of their grain that there was not enough left to feed the republic's cattle. Poor accommodation was blamed on Russians (who outnumber Kazakhs in Alma Ata) whom Kazakhs believed had taken the best housing.

The reality according to the official view is that Kazakhstan was getting more than it contributed. If this did not raise living standards it was because so much was appropriated by Mr Kunaev's political machine.

The Kremlin's overall approach therefore is to attribute national discontents to social causes exacerbated by economic mismanagement during Mr Leonid Brezhnev's long rule. There is no sign of Mr Gorbachev easing up in his campaign to cut the authority of regional party bosses, Russian or otherwise.

The crackdown on these political machines predated Mr Gorbachev. In the five Soviet Central Asia republics for instance all leaders have changed since 1983. Mr Vladimir Shcherbitsky, still party leader of the Ukraine and one of the few survivors of the old system, is a continual object of sniping by Moscow.

The Communist party daily Pravda spelled out the change in Moscow's attitude towards nationalism in a tough editorial on July 21. It said that in future "attempt to grab as big a slice of the cake as possible" by some republics would have to end. The criterion for allocating resources would be return on investment and the needs of society as a whole.

The editorial also attacked the policy of only promoting natives of the republic to senior posts or discriminating against Russians or other non-native nationalities. This is very relevant since it was the promotion of Mr Kolbin, an ethnic Russian, to run Kazakhstan which provoked the riots. Previously leaders of republics almost always belonged to the native nationality.

But the emphasis on efficiency, honesty and good management as the cure for nationalist antipathies in the Soviet Union betrays a certain insensitivity towards national feeling by Mr Gorbachev. The new leadership is strongly Russian in origin and experience. In contrast to previous party general secretaries, Mr Gorbachev has little experience of non-Russian parts of the Soviet Union.

It is also noticeable that out of the 12 secretaries of the Communist party—the key officials in ultimate charge of running the party and selecting state and party officials—only one is a non-Russian.

Insensitivity to national feelings by Mr Gorbachev's administration is particularly important because of three other recent developments:

- Foreign commentators often suggest that the main source of nationalist tension is separatism or unrest among non-Russian nationalities. This is true in a few cases but a much more important trend is the resentment felt by Russians at the fact that during Mr Brezhnev's long rule nationalities in the Baltic, Caucasian and Central Asian republics did much better than people living in the central Russian heartlands.
- Soviet policy to develop the more backward republics, notably those in Central Asia, has produced an educated intelligentsia. These now compete for jobs with Russians in a way their parents, often illiterate peasants living away from the cities, did not. In Alma Ata the rioters were mainly Kazakhs attending vocational schools and institutes.

Dr Julian Bromley, head of the Institute of Ethnology in Moscow, says that nationalist tension is also increased because one-third of non-Russians cannot speak Russian fluently and may feel discriminated against in looking for jobs.

- Greater freedom of expression under Mr Gorbachev also means that it is easier to express national discontents. The 24-hour-long demonstration in Red Square by the Crimean Tartars last weekend is the most significant example of this. *But an unauthorised* demonstration in Latvia was recently allowed to go ahead.

Mr Gorbachev is probably right in thinking that if he can produce higher growth and living standards for everybody then nationalist antipathies can be handled. The problem is that the shake-up of Government necessary to create this growth can also change the traditional balance between Russians and other nationalities, with explosive consequences as in Alma Ata.

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OVERSEAS NEWS

Jayawardene looks to New Delhi for solution to crisis

By John Elliott in Colombo

AN EXERCISE of cricketing diplomacy paved the way for the controversial agreement on Sri Lanka's Tamil ethnic crisis signed yesterday in Colombo amid riots and bloodshed.

The agreement is fragile, as the riots graphically demonstrated. But it would not even exist on paper were it not for two government ministers, Mr Gamini Disanayake from Sri Lanka and Mr N. K. Salve from India, both presidents of their countries' cricketing boards.

These two men have secretly used their informal contacts for more than six months, following a test series won by India last November, to design a possible settlement. This was picked up earlier this month by Mr Rajiv Gandhi, Prime Minister of India, and President Junius Jayawardene of Sri Lanka.

Such a settlement was unthinkable two months ago when Sri Lankan security forces launched a major offensive against Tamil extremists in the northern peninsular of Jaffna. India, which was anxious about the plight of Tamil civilians and was under pressure from fellow Tamils in the south of its country, then invaded Sri Lankan airspace to drop relief supplies.

But it is now clear that those events provided a turning point. In particular, they focussed the mind of 81-year-old President Jayawardene.

At the same time, Mr Gandhi's string of political disasters in India led him urgently to seek some personal initiative to boost his flagging image. So both leaders had reasons for a rapid deal.

During four years of increasing ethnic violence, President Jayawardene has seen his dreams of turning Sri Lanka into a booming free market economy evaporate. He appeared to have lost his will to push through a political settlement and was relying on a military victory. But it became increasingly clear in recent months that the army could not secure a lasting military victory.

With India opposing any fresh offensive by land or air, he was forced to concede that no early deal was possible without the active involvement of Sri Lanka's massive neighbour.

So he went ahead with the peace initiative, while keeping his options open for continued large scale military operations. A few days ago he even asked the Finance Ministry for a further Sri Lankan Rs 1.2bn (£300m) in addition to the existing Rs 1.2bn-1.5bn defence budget.

Defence expenditure has already risen 15-fold in the past ten years and has recently started eating into development and other civilian expenditure budgets.

Yesterday rioters outside Colombo were asking why Mr Gandhi was to sign a deal on Sri Lanka's own internal ethnic problem, and his pictures had been torn down from lamp posts. His arrival seems to the Sinhalese to be further confirmation of India's dominance and hegemonistic ambitions.

A letter appended to yesterday's agreement certainly suggests Mr Gandhi has achieved some of his regional geo-political aims, including an end to foreign military and intelligence personnel from countries such as Pakistan and Israel in Sri Lanka.

But India's involvement as a co-signatory to yesterday's agreement is a logical development of President Jayawardene's new realism. Sri Lanka cannot itself defeat the Tamil extremists. That would require India to close down their training bases and propaganda offices in the southern Indian state of Tamil Nadu, and to stop armaments and other supplies travelling across the narrow Palk Sraits from India to Sri Lanka.

Julius Jayewardene (left) welcomes the G/andhis at a ceremony in Colombo yesterday

However while that may seem logical to Mr Jayawardene, it is clearly unpalatable to the Sinhalese, as the riots underline. The result is that Mr Jayawardene's government is more precarious than at any time for several years.

The burgeoning army is daily growing more crucial; it was the army rather than the police which prevented rioters from marching into Colombo yesterday.

Significantly the army is run by a new breed of officers who, unlike their Sandhurst-trained predecessors, may one day tire of their political masters and consider some form of military rule. Many owe allegiance to Mr Lalith Athulathmudali, the 50-year-old National Security Minister and an aspiring president, who has been equivocal about the deal with India and was reported in one Colombo paper yesterday to have turned against it.

So Mr Jayawardene is embarked on a risky course. Each of the players in the drama has different ambitions, many linked to how they think they might emerge if the deal collapsed.

Mr Jayawardene wants the agreement because it puts the onus on India to curb the Tamils and means India can be blamed for any renewed Tamil violence. He also knows that the agreement's controversial proposal to merge the northern and eastern provinces will probably be voted out in a referendum next year, so removing the one clause in the deal which he personally does not favour.

Mr Gandhi wants his personal prestige boosted at home and abroad and knows that the deal faces greater immediate danger from the Sri Lankan rioters than from the Tamil extremists. If the rioters killed the agreement, it would vindicate the Indian view that it is the Buddhist Sinhalese and not the Tamils who are the real problem.

On the sidelines are Mr Athulathmudali and Mr Ranasinghe Premendasa, the Prime Minister, who boycotted yesterday's events. Both want to be the next president and so will only make moves that maintain their credibility with the Sinhalese majority.

Finally, there is Mr Prabhakaran, the Tamil leader and his fellow extremists who are in Delhi with Mr Gandhi. They appear to have agreed to support the deal but are not directly tied as co-signators. They would probably agree to almost anything that allowed them to go free to organise for their cause another day.

So as the pillars of smoke rise over Colombo and other cities, it is clear that, cricketing diplomacy aside, Sri Lanka is far from secure.

India is given key role in implementation

BY MERVYN DE SILVA IN COLOMBO

THE ACCORD signed by the Indian and Sri Lankan leaders yesterday gives India a key role in a peace process which is expected to take many months, or even years, to implement.

In addition to sending observers to watch elections in December in the newly combined northern and eastern provinces, New Delhi has pledged to use its navy to ensure that there is no resurgence of armed Tamil guerrilla movement across the Palk strait from Tamilnadu to Jaffna.

Other forms of Indian military assistance, however, will come "as and when requested" by Colombo.

The accord, divided into six main sections, starts with a preamble which states its main objectives. These are "nurturing, intensifying and strengthening of the traditional friendship of Sri Lanka and India," "the imperative need of resolving the ethnic problem" and "the safety and prosperity of all communities."

is expected to take many

The first five sections express the desire to preserve the island's unity, sovereignty and integrity; acknowledges that Sri Lanka is a multi-ethnic, multi-lingual society; recognises that such groups have a distinct cultural identity that should be nurtured; agrees that the north and the east have been "areas of historical habitation of the Tamil-speaking peoples;" and accepts that all citizens should live in equality, safety and harmony.

Section six contains the vital core of the agreement covering arrangements for elections to the island's nine provinces, with the north and the east as one administrative unit, and details of the ceasefire and the military obligations of India and Sri Lanka.

● Elections. These will be held before December 30 this year. Each province will have a governor, a chief minister and a board of ministers.

● Referendum. There will be "an interim period" between the elections and a referendum in the east, which will be held before December 31 1988. The voters of the eastern province can decide whether to continue the north-east merger. The president can decide to postpone such a referendum.

● Displaced persons. Conditions for their return to their homes will be created and they will be allowed to vote in the referendum.

● Monitoring. The referendum will be monitored by the Chief Justice of Sri Lanka and two nominees, one by the government and the other by the Tamils of the eastern province. A simple majority will be sufficient. Meetings and other legal forms of campaigning will be permitted. Indian observers will be invited for the elections in the north and east.

● Ceasefire. Hostilities will cease within 48 hours from the signing of the accord. The formal state of emergency in the north and east will be lifted by August 15 this year. All arms held by the militants will be surrendered to the authorities on agreed procedures determined by the Sri Lankan Government. After the surrender of arms, the Sri Lankan army will be confined to those barracks and camps established up to May 25 1987. (The army's massive month-long offensive started on May 26 at the end of which it established several new camps.)

● Amnesty. An amnesty will be granted to combatants, and to prisoners held under the emergency and anti-terrorism laws.

● Indian obligations. New Delhi underwrites and guarantees the resolutions and states it will co-operate in the implementation. If any militant groups do not accept the accord, India will "ensure that Indian territory is not used for activities prejudicial to Sri Lanka's unity and security." The Indian navy will co-operate with the Sri Lankan navy in preventing movements by sea of Tamil militants. (This refers to the patrolling of the narrow Palk Straits which separate Sri Lanka's north from south India.) India will "afford military assistance" to implement these proposals, if the Sri Lanka Government makes such a request.

● Language. The official language of Sri Lanka will be Sinhala. Tamil and English will now also be recognised as official languages.

Besieged at home, Gandhi boosts his stature abroad

BY K. K. SHARMA IN NEW DELHI

INDIA'S Prime Minister, Mr Rajiv Gandhi, is so besieged with domestic problems that he badly needs some kind of achievement to improve his greatly diminished stature.

At home there are opposition cries of scandal and censure arising from alleged bribes paid out to people close to him in defence deals and illegal foreign exchange dealings. A success abroad was welcome.

While it might be uncharitable to say that this is the main motive for his part in the Sri Lanka-India agreement signed in Colombo yesterday, it must have cerainly been one of the factors that encouraged Mr Gandhi to spur his officials into attempting to clinch a compromise deal with President J. R. Jayewardene and Tamil militants.

Just a month ago, before the recent series of resignations and dismissals of senior Indian officials and party members, Mr Gandhi appeared to be on a collision course with the Sri Lankan president when he ordered Indian Air Force fighters to violate Sri Lanka's air space during Colombo's military offensive against the Tamil strongholds in the Jaffna peninsula.

The deal came sooner than these events would have suggested.

There are, however, other sound reasons for the agreement. India has been getting a bad name for helping Tamil secessionists and giving them shelter in the south Indian state of Tamilnadu. Although such assistance has always been officially denied, it is an open secret that training camps for the Sri Lankan Tamils operated in Tamilnadu and that the state government of Mr M. G. Ramachandran gave them financial and other help.

At a time when Mr Gandhi is accusing Pakistan of helping Sikh militants in their campaign to secede from India to form an independent homeland they call Khalistan, he finds himself accused by Sri Lanka of doing the same with the Tamils. The civil war in Sri Lanka was thus proving a serious and costly embarrassment.

Mr Gandhi also feared that President Jayawardene was increasingly turning to other countries, including hostile ones such as Pakistan and the US, for help to tackle the Tamil guerrilla problem. This may have meant that countries antagonistic to India would have obtained more than a toehold in Sri Lanka, a country which India has traditionally considered to be in its sphere of interest.

There are no illusions in New Delhi about the difficulties of implementing the agreement, especially as it means there will now have to be an an Indian military presence in Sri Lanka. But hopes are that, given firm political direction from both New Delhi and Colombo in the months ahead, peace could return to the embattled island.

Doubts over Tigers' endorsement

By K. K. Sharma

MR V. PRABHAKARAN, leader of the Liberation Tigers of Tamil Eelam, the main Tamil militant group, appears to have reluctantly endorsed the accord between Sri Lanka and India after vigorously opposing it since he was brought to New Delhi from his hideout in Jaffna last week.

Doubts remain. Mr Prabhakaran remains incommunicado in New Delhi and has yet to be seen to endorse the peace plan in public.

A few hours before Mr Gandhi left for Colombo he met Mr Prabhakaran and a statement was issued in which the Tamil Tigers' leader said: "We are satisfied that Mr Gandhi understands our fear and is fully sympathetic to the Tamil aspirations."

This was taken to mean that Mr Prabhakaran had fallen in line and is now supporting Mr Gandhi just three days after he said: "We have walked into a trap" and rejected the agreement.

Mr Prabhakaran is to remain in New Delhi and hold further talks with Mr Gandhi. Calls to his hotel room in New Delhi are not being put through to him and he is not allowed to see journalists.

Whether Mr Prabhakaran will be allowed to return to Sri Lanka will presumably be decided on the outcome of the talks he holds with Mr Gandhi on his return.

Chronology of events

1948 Independence from Britain.
1956 Solomon Bandaranaike, Prime Minister, infuriates Tamils by introducing "Sinhala-only" language policy.
1959 Buddhist monk assassinates Mr Bandaranaike. His wife, Mrs Sirimavo Bandaranaike, enter politics and becomes Prime Minister twice (1960-65 and 1970-77).
1970 Student radicals found Liberation Tigers of Tamil Eelam to fight for an independent Tamil state (Eelam).
1971 Failed coup against Mrs Bandaranaike by underground Sinhalese Marxist group, Janatha Vimukthi Peramuna ,JVP), results in massacre of 10,000 by army.
1977 Junius Jayawardene elected Prime Minister at age of 72; changes consitution to make himself President.
1980 October Parliament strips Mrs Bandaranaike of all civic rights for seven years for abusing her powers by continuing a state of emergency for six years without good reason.
1982 Mr Jayawardene re-elected through referendum rather than election.
1983 July. Thirteen soldiers killed in mine explosions by Tamil guerrillas. Sinhalese revenge massacre of Tamils in Colombo, looting and burning their homes, shops and factories. Some 125,000 Tamils flee to India.
1985 June. Tamils massacre 146 civilians in ancient Sinhalese capital of Anuradhapura. India begins mediator role.
1986. Conflict claims 2,000 lives during year including 200 soldiers, 1,000 Tamil militants and 700 civilians.
January. Mrs Bandaranaike's rights restored by presidential pardon and she re-enters parliament.
May 3. Air Lanka Tristar blown up by terrorist bomb at Colombo international airport, killing 15.
May. Sri Lankan Army tries and fails to take control of Jaffna.
December 19. India persuades Mr Jayawardene to dismember the eastern province, making Tamils majority population in both northern and eastern provinces
January 1. Tamil guerrillas declare separate administration for Jaffna which they have under their total control.
January. Velupillai Prabhakaran returns to Jaffna after three years in India and reasserts his leadership of the Tamils, stepping up the violence.
April 17-22. Five days of Tamil atrocities: 127 killed when rebels stop three buses on Trincomalee-Habarana road; 15 killed in attack on small farming village 20 miles away; 250 killed in bomb blast in central Colombo.
May 26. Sri Lanka launches huge land, sea and air offensive against Tamil strongholds in Jaffna peninsula with big civilian casualties.
June 2. Indian flotilla of fishing boats carrying aid to Tamils turns back when Sri Lankan naval boats ask it not proceed.
June 4. Indian air-drops relief supplies to Tamils in Jaffna.
June 11. Sri Lanka calls halt to Jaffna offensive.
July 19. President Jayawardene agrees to merge eastern and northern provinces into semi-autonomous homeland for Tamils.
July 29. Curfew imposed; 18 shot dead in Sinhalese protest riots. Tamil Tigers reject peace plan.
July 30. Palls of smoke over Colombo as Mr Rajiv Gandhi flies in. Mr Gandhi and Mr Jayawardene sign peace accord.

OTHER OVERSEAS NEWS

Australian unions unveil long-term economic plan

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S powerful trade union movement yesterday unveiled a strategy document for the country's future which calls for a negotiated, interventionist approach to economic policy.

The document, entitled Australia Reconstructed, is the result of a visit to Western Europe last year by a 12-member trade union delegation, and it quickly met a negative reaction from the business sector.

As its centrepiece, the strategy proposes the creation of a National Development Fund to provide equity capital and soft loans for investment. Finance would come from a 20 per cent tax on superannuation funds' income, a 1 per cent tax on imports and a surcharge on luxury imports.

The report also calls for a six-month conditional price freeze to match existing wage restraint, continuation of a centralised wage-fixing system and the drafting of an industry plan agreed between unions, employers and government, to be implemented at company and plant level.

One significant recommendation urges the removal of all legislative impediments to the amalgamation of unions. Within two years, the document says, the trade union movement should plan to have some 20 union organisations.

In particular, the document says the Australian Council of Trade Unions and the Government should initiate action to ensure that no new organisations can secure registration other than those which are the product of amalgamations.

The trade union movement also emphasises the need for employment and training programmes to be fully integrated with industry plans and the development fund through a separate National Employment and Training Fund.

Meanwhile, the threat of a national coal strike in Australia receded yesterday after the miners union had agreed to stop industrial action for a month, provided employers accepted a moratorium on retrenchments for the same period.

The stand-off was reached at a four-hour meeting in Canberra of unions, employers and federal and state government ministers chaired by Mr Bob Hawke, the Prime Minister.

Mr Hawke, who proposed the moratorium, rejected the idea of a national marketing authority which had been proposed by the unions

Mining companies are against the idea and want to see a reduction in labour and on-site costs through the unions, with lower taxes and charges from the state governments.

The employers did not commit themselves to the moratorium on retrenchments yesterday, but talks on the plan will take place today and Mr Roger Marshall, chairman of the Australian Coal Association, said the aim was to maintain employment wherever possible.

Once the four-week moratorium is agreed, the Miners' Federation is expected to order a resumption of work by more than 2,000 miners either striking or refusing to do overtime in New South Wales.

New uproar in Indian parliament over Bofors

By K. K. Sharma in New Delhi

BOTH houses of the Indian Parliament were plunged into turmoil for the second successive day yesterday when opposition parties and the ruling Congress-I again angrily confronted each other on the scandal arising out of the Bofors deal for the sale of $1.4bn-worth of Howitzers to the Indian army.

Normal business was not possible again and both houses were adjourned prematurely after pandemonium and heated exchanges made it impossible to conduct orderly business. In each of the houses of parliament, an opposition member was suspended for the rest of the session.

The opposition seems determined to stall the government attempt to have a motion passed for a parliamentary inquiry into charges that money has been paid by Bofors to Indian officials. They feel that such an inquiry would be too heavily weighted in favour of the government.

Mr K. C. Pant, the newly appointed Minister of Defence, was inaudible as he was physically jostled by angry opposition members, but at the request of the speaker he managed to place the motion on the table. This means, in effect that it has now been taken note of by the house. Because of the four-fifth's majority of the ruling Congress-I party, it seems likely that it will be passed.

S African miners strike looks set to follow metals

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S metals industries have been hit by a wave of strikes, which many believe are likely to be followed by a much bigger national stoppage by black gold and coal miners.

Shop stewards and officials of the 250,000-strong National Union of Mineworkers (NUM) met in Johannesburg on Monday to discuss the organisation and timing of legal strike action agreed by union members balloted earlier this month.

Wage talks between the NUM and the Chamber of Mines foundered on June 30 with the union calling for across-the-board wage increases of 30 per cent against the employers' final offer of increases ranging from 17 per cent to 23 per cent.

On Tuesday night about 1,300 refinery workers downed tools in protest at disciplinary action taken a month ago at Impala Platinum's Springs refinery on the East Rand. The company says production has not been affected and that talks are being held with the NUM to settle the dispute.

Talks are also taking place between Samancor, one of the country's largest ferro-alloys producers, and the National Union of Metal Workers of South Africa (Numsa) to end a dispute over dismissals of wildcat strikers. The men withdrew their labour last week, but returned to work this week at some of the company's plants and mines in the Eastern Transvaal.

A legal strike by 7,000 Numsa members has entered its second week at the Vanderbijl steel mill owned by Iscor, the state-owned steelmaker.

Numsa remains in dispute with the Steel and Engineering Industries Federation of South Africa (Seifsa) even though strike action at 500 factories countrywide was halted on July 14 by government.

Numsa is taking advice on the legality of the government's unilateral extension of a lapsed wage agreement after Numsa had failed to reach agreement with Seifsa at annual wage talks.

In Namibia strikes are continuing at three copper mines managed by Tsumeb Corporation, which is managed by British-controlled Gold Fields of South Africa. About 4,600 men stopped work on Monday at the company's Otjihase and Kombat mines demanding improvements to wages and employment conditions.

The Mineworkers' Union of Namibia has called for hourly wages to be increased to R2.24 (69 pence) from the current R1.02, for a cut in the working week to 45 hours from 48 hours and for an end to the contract labour system which, the union says, prevents men from living with their families.

Tsumeb's management says the strike is illegal.

Court rejects Tanaka's appeal in bribery case

BY BOB KING IN TOKYO

THE TOKYO High Court yesterday rejected appeals by former Prime Minister Kakuei Tanaka and four associates against their convictions nearly four years ago on charges arising from the so-called Lockheed scandal.

Counsel for most of the defendants, including Mr Tanaka, announced that they would appeal the convictions to the Superior Court. This could take years. Mr Tanaka was first arrested in July 1976.

The High Court upheld the decision of the Tokyo District Court, handed down in October 1983, that found Mr Tanaka, his personal secretary, and three officials of the Marubeni Corporation, guilty of various charges that included bribery, perjury, and violation of foreign exchange and foreign trade laws.

The High Court also upheld sentences imposed by the lower court, ordering Mr Tanaka, 69, to serve four years in prison and pay a fine of Y500m (£2m)—the amount allegedly paid him by Lockheed of the US in return for Mr Tanaka's using his influence to persuade a Japanese airline to buy aircraft from the American company.

The court upheld a sentence of three years' probation for Mr Tanaka's former secretary, Mr Toshio Enomoto, on charges of receiving the bribe money.

Former Marubeni chairman, Mr Hiro Hiyama, received a jail term of two-and-a-half years, and Mr Toshiharu Okubo, the company's former senior managing director, was sentenced to four years' probation. The court commuted the sentence of another Marubeni director, Mr Hiroshi Ito, from two years' imprisonment to four years' probation.

Warning to Israel on N-plans

MOSCOW has warned Israel against developing a nuclear missile, saying it was a threat to all Arab capitals and could reach the borders of the Soviet Union, Reuter reports from Jerusalem.

The warning, broadcast by Moscow Radio's Hebrew-language programme was the fourth in less than a week.

The warnings are believed to be designed to placate Syria following Moscow's refusal to supply Damascus with advanced SS-23 missiles.

● Israel has stockpiled plutonium for an estimated 200 nuclear bombs and has the capability to build neutron weapons, a British nuclear scientist was quoted in a newspaper, AP reports from Jerusalem.

Little cheer for business in tight Zimbabwe budget

BY TONY HAWKINS IN HARARE

ZIMBABWE'S Finance Minister, Dr Bernard Chidzero, yesterday presented a largely no-change budget characterised by tight curbs on government spending, a marginal rise in company tax and an unexplained surge in investment revenues.

Dr Chidzero had little cheer for the business community predicting zero economic growth in 1987 and warning that even if there is an agricultural-led upturn next year, this is likely to be temporary. He stressed that the balance of payments position had deteriorated and he called for rapid export growth.

This appeal comes at a time when Zimbabwe is contemplating imposing a trade ban on South Africa.

The sole tax change of any significance was the temporary increase in rate of corporate tax to 54 per cent from 52.8 per cent. Dr Chidzero has increased the company tax surcharge from 17.5 per cent to 20 per cent to finance a drought-relief package, but he has promised to reduce the rate to 50 per cent in 1988-89.

The budget deficit of Z$997m (£370m) in 1986-87 was 5 per cent lower than forecast a year ago but still 43 per cent higher than in 1985-86 and about 11 per cent of gross domestic product. In the current year, the minister is forecasting a 14 per cent rise in government spending to Z$4.6bn while revenue will rise almost 19 per cent to Z3.6bn.

While this will mean a fractional reduction in the deficit to Z$988m or about 10 per cent of GDP, there is one puzzling and unexplained element in the budget deficit. Dr Chidero has forecast a 120 per cent increase in revenue from investments and property —Z$167m—without explaining where this will originate.

AMERICAN NEWS

Peruvian plan to nationalise banks heavily criticised

BY BARBARA DURR IN LIMA

PERU'S proposals to nationalise banks and close private foreign exchange *operations ran into* sharp criticism yesterday.

However, it was still unclear whether foreign bank branches would be included, although a government official said on Tuesday, they would.

In *New York*, Citicorp, the parent of the biggest US banking group with six branches in Lima, said: "Nationalising the banks in Peru, if implemented, would be a mistake and very unfortunate for banking in that country."

The group, which has often fought hard to preserve its foothold in other countries which have threatened to take over foreign banks, added: "There are precedents for not nationalising foreign-owned banks." *It noted that its operations* in Mexico and France had remained unaffected when the local banks in those countries were nationalised.

Mr Ricardo Vega Llona, head of Peru's most important business association, the National Federation of Private Business Institutions, which supports the President, called the move "a grave error."

Mr Richard Webb, a former central bank president, said he believed that nationalising banks and *insurance companies* was "completely counter-productive" if the Government intended to encourage private investment.

Mr Webb, Mr Vega and local economists said that the closure of private foreign exchange

Alan Garcia: state ownership vital to economy

houses would only foster a *raging black market for dollars.*

The state already owns about 60 per cent of the banking system in terms of total bank assets.

There are five foreign banks in Lima, most of which have been running down their operations: Citicorp and Bank of America of the US, Bank of Tokyo, the Bank of London and South America, a subsidiary of Lloyds Bank of the UK, and Banco Central de Madrid.

Chase Manhattan, which set up a *branch 31 months ago*, sold its operations to a private Peruvian bank, Banco del Sur.

President Alan Garcia said the nationalisation of banks and insurance companies was vital to improving state planning of the economy.

Argentine businessmen urge change of strategy

By Tim Coone in Buenos Aires

IN A RENEWED attack on President Raul Alfonsin's economic policy, Argentine industrial leaders have demanded prompt improvements in the investment climate.

The Argentine Industrial Union, the country's principal manufacturers' association, said the government's monetary policy benefitted financial speculation at the cost of production and warned that it was leading to heavy internal indebtedness and restricting *industrial investment.*

Mr Eduardo de la Fuente, president of the UIE, said small- and medium-scale industries had been especially hard-hit by high real interest rates and lack of credit.

"*Manufacturers* cannot afford the high cost of working capital which is producing rigidity in supply and adding to the *inflationary problem*," he said.

Last week the government announced an economic package aimed at reducing the fiscal deficit and bringing renewed inflationary pressure under control. *The measures* have been criticised by trade unions and business as being short-term and inadequate to *solve the underlying* structural problems of the economy.

The last two months have seen a resurgence of inflation. It is *widely* expected that there will be a return to two-digit inflation in August despite the recent measures.

Despite growing criticism of his economic policy, President Alfonsin repeated support for Mr Juan Sourouille, his Economy Minister on Tuesday. Addressing members of the local Stock Exchange he said: "We have an economy minister, who God willing, *will accompany me until the* end of my term of office."

Presidential elections are due in 1989. Mid-term elections are to be held this September for the Chamber of Deputies and local municipalities.

The apparent inability of the economic team to provide solutions to the structural problems of the economy and the underlying instability has nonetheless caused considerable concern in government circles

Jamaica in debt-swap deal

JAMAICA has launched a debt-for-equity swap programme through which the government hopes to convert $200m in commercial bank obligations into local investment over the next five years, Reuter reports from Kingston.

Mr Edward Seaga, the Prime Minister, announced approval of the first swap, by which $1.5m of debt held by Citibank will be turned into an investment by Hanes Printables of the US at a $3m clothing factory in Western Hanover parish.

Citibank, whose exposure in Jamaica is about $48m, declined to give details of the rate at which it will discount the debt conversion, saying the deal was not yet concluded.

Local analysts said the Hanes-Citibank swap, expected to be completed within the next week, should give an indication of the discount level to be given on Jamaican debt generally.

Mr Seaga said: "The programme is aimed primarily at foreign investment for new facilities in tourism and factory construction so as to achieve the expansion of the country's productive base

Union drives a hard bargain in Detroit

The companies want more flexible work practices, **Rod Oram** *reports*, but the UAW wants job security

FOR ALL the generous compliments and expressions of goodwill at their formal opening sessions this week in Detroit, it looks as though the triennial US car industry labour negotiations will be some of the toughest and most important that either side has ever faced.

A rock bottom dollar has failed to blunt foreign competition since the previous talks in 1984. It has only changed the geographic source of it. Increasingly, General Motors, Ford and Chrysler must measure their quality and productivity against Japanese plants in Tennessee, Michigan and Ohio rather than across the Pacific.

Moreover, a flood of imports is building up from such new, low-cost producers as Thailand and Malaysia. Three new brands appeared last year and *another 14 are expected* by 1990. By then, demand could be slightly less than the 16.3m cars and trucks bought in the US last year.

"We have the opportunity during these negotiations to ensure GM's success and job security for all," Mr Alfred Warren, GM's vice president in charge of industrial relations, said at the opening ceremonies. "Next time round may be too late."

GM and *Ford's main goal is* more flexible work practices. Chrysler is not involved this time since its contract has a year more to run. It got out of step during its fight back from extinction in the early 1980s.

From the other side of the table, the Union of Automobile Workers has made Japanese style life-time employment its top priority, even though the system there is cracking. A high yen is forcing the export of car jobs to *Japanese plants* in the US, sometimes staffed by redundant UAW members.

"Our members are contributing significantly to the domestic auto industry's gains in quality and productivity," Mr Owen Bieber, UAW president, said this week, "and they are entitled to know they have a future in the industry." The union believes the trend by US manufacturers towards buying components from outside suppliers and to importing cars from foreign affiliates poses a grave threat to its members. *Their ranks have already shrunk* by a third from their 1978 peak of 1.5m.

Money, of course, is also an issue for both sides. The union is likely to seek a rise in wage rates of around 15 per cent over the new three-year contract. Employers will try to trim further the cost of fringe benefits.

Somehow, the next two months will produce some sort of trade off between security and manufacturing flexibility with a little more money as the sweetener. But given the complexity and importance of the issues, it might *take a strike* to clinch a deal. Seven of the nine previous negotiations since 1961 followed the same pattern with an average shut-down of 27 days. The longest strike was 67 days against General Motors in 1970.

The union will hold parallel negotiations with both companies. If insufficient progress has been made by early September, past practice indicates it will chose one as the target for intensified bargaining and a strike. Once a settlement has been reached it will try to impose *essentially the same* contract on the other employer.

The traditional game of "Guess the Target" has already begun. The odds appear to be on Ford. It could more willingly concede job security to its 104,000 UAW members because it has made more plant closures than GM. It also makes only 50 per cent of its components against GM's 70 per cent so it could take a more placatory attitude on out-sourcing.

Financially, there are pros and cons to picking on Ford. It might settle quickly because demand for its products are high and it is only a near-normal inventory of 68 days supply of cars and trucks. But it could also afford to bide its time. Its first half net profits rose 68 per cent to $2.99bn and *it is sitting on a* $9.14bn mountain of cash and marketable securities.

GM in contrast suffered a *14* per cent fall in first half profits to $1.9bn and is in the process *of closing 11 plants* with the loss of 30,000 jobs. It needs to win from its 390,000 UAW members big changes in the size, deployment and practices of its workforce, particularly in components. It has done more than *Ford on flexible working* but at the cost of a strong backlash from employees.

Because of the differences between the two companies, negotiations could take an unusual turn this time, suggests Mr Scott Merlis, the auto industry analyst at Morgan Stanley. He thinks Ford will *settle after a short strike of*, say, two weeks.

But GM would not be able to afford to accept the job security provisions conceded by Ford and would then embark on its own strike. It could be a long hard fight since GM has 84 days inventory and deep reserves of corporate fat to live off.

But ultimately, a trade off between a modest wage increase and flexibility "will allow the automakers to continue their long-term cost-restructuring programmes," he believes.

Bank plea on Third World debt

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

AN INCREASED share of new funds for Third World debtors will need to come from official sources such as the International Monetary Fund and World Bank, a study by Morgan Guaranty Trust of New York says.

The bank also concludes that debtors from less developed countries must "come to terms with their need to rely on more *self-help*."

It suggests the plan set out in October 1985 by Mr James Baker, the US Treasury Secretary, for 15 major debtor countries—to undertake growth-oriented structural reforms supported by increased lending from the World Bank and continued financing from private banks—had fallen short of its objectives.

This was because of a cut-back in official financing, a reduction in commercial bank lending to the countries, and sagging real growth in industrialised countries, which made *export expansion difficult for* Third World countries.

Figures released yesterday by the Basle-based Bank for International Settlements

NET BANK LENDING ($bn)

	Annual average 1983-4	1985	1986	Outstanding claims end-1986
Argentina	0.2	2.2	1.6	33.0
Brazil	4.1	−1.7	0.0	77.9
Chile	0.6	0.4	−0.7	13.9
Colombia	0.0	−0.7	0.0	6.8
Mexico	2.5	0.8	−1.5	77.3
Peru	−0.5	−0.2	−0.6	6.8
Philippines	0.0	−0.7	0.3	15.4
Venezuela	−1.7	0.4	−1.4	29.3

Source: *BIS*

showed bank claims on Latin American countries fell by $800m in the first quarter of this year, after declining by $900m in the whole of 1986.

"The roughly 50-50 split between private and official funds typical of many past new money *packages may not be a workable* norm for the future, nor is indefinite reliance on "involuntary' lending by banks."

It adds: "Realism demands that an increased share of new money be furnished by official sources during the next several years. It is not easy to reconcile the IMF's negative financing (it has received net repayments from its debtors) with the supposedly central role it is called upon to play in the management of debt problems."

The bank also calls for banks to be permitted a broader range of options from which to choose debtor financing.

Nevertheless, it regards debt *forgiveness* as no answer to the problem, except perhaps for the poorest African states. "By contrast, the middle-income countries addressed by the Baker initiative are neither very poor nor insolvent," it says. "Relief or forgiveness would only weaken discipline over economic policy and undermine support for structural reform."

Hopes rise for Central American peace plan

PRESIDENT Oscar Arias of *Costa Rica* expressed *guarded* optimism yesterday that his regional peace plan will be approved by Central American presidents at a summit next month, AP reports.

Mr Arias was speaking after a two-day trip to Nicaragua, Honduras, El Salvador and Guatemala in an attempt to resolve differences that had threatened to scuttle the summit.

Among those differences was a clash between Nicaragua and its neighbours over whether the Contadora nations of Mexico, Venezuela, Colombia and Panama should play a role in the summit

Mr Arias said he had achieved a compromise under which the four Contadora nations would participate in the first preliminary ministerial meeting but not *in the second preliminary* session or in the summit itself.

None the less, Mr Arias acknowledged that substantial differences remained among his counterparts over various issues, but added: "I think they can be overcome."

He said growing economic and *social problems* in Nicaragua could make its president, Mr Daniel Ortega, take a more pragmatic view of the peace plan.

Mr Ortega had argued that the Contadora countries should continue to play a role in any peace talks, while Mr Arias insisted that his plan should be considered on its own merits by the countries involved.

His proposal parallels the Contadora plan in calling for ceasefires in Nicaragua and El Salvador, an end to foreign assistance of the rebels in both countries, removal of all foreign military forces from Central America and greater democracy in Nicaragua.

The plan puts more emphasis on internal political changes in Nicaragua, under a strict timetable *for compliance*, rather than external security guarantees. Those changes would include guarantees of press freedom, the right to organise political parties and negotiations with internal opposition leaders.

WORLD TRADE NEWS

Austrian group in barter deal with Cuba

By Our Vienna Correspondent

INTERTRADING, the trading subsidiary of Voest-Alpine, Austria's largest state-owned steel and engineering industry, has signed its first countertrade deal with Cuba.

Intertrading which deals extensively in barter and countertrading, recently concluded the contract, worth *Austrian schilling* 250m (£12.5m) with the Cuban Foreign Trade Ministry.

Under the terms of the deal which takes effect from January 1988 and is valid for two years, Voest-Alpine will supply Cuba with high grade steel, chemicals, oil products and capital goods. In return, the Cubans will export to Austria *food and other products.*

Voest-Alpine said that the company will be monitoring the deal closely, and if it is successful they are optimistic that trading links with Cuba will increase.

Oil-commodity swaps planned by Washington

By Our World Trade Staff

THE US plans to carry out at least two oil-commodity *swaps* with foreign governments. The crude oil the US obtains through the deals will be put into the strategic petroleum reserve.

The US Agriculture Department, under the 1985 farm bill, is required to carry out two barter transactions involving surplus farm produce by the end of the *fiscal* year, September 31. The aim is to swap these *goods for materials* for the US strategic stockpile.

Negotiating teams are to be sent to oil-producing countries with food and currency reserve shortages.

US officials, testifying recently before House subcom*mittees on countertrade, did not* name the countries which were to be approached

However one official said that between 1950 and 1973 the US exported $6.7bn in farm commodities in exchange for *strategic materials.*

The latest commodity swaps were forced on the Administration by Congress.

Tehran, Moscow seek to revive oil and gas links

BY ANDREW GOWERS, MIDDLE EAST EDITOR

IRAN and the Soviet Union are attempting to revive co-operation in the oil and gas sectors, which was stalled not long after the 1979 Iranian revolution as part of a tentative improvement in their political and economic relationship.

There is speculation that a resumption of Soviet natural gas purchases from Iran may be involved, as well as Soviet assistance in developing Iranian oilfields and the possibility of transporting Iranian crude over Soviet territory as an alternative to using the Gulf shipping routes.

Tehran Radio reported this week that Mr Nikolai Ryzhkov, the Soviet Prime Minister, has written to his Iranian opposite number, Mr Mir-Hussein Mousavi, expressing interest in "long-term economic co-operation, particularly in the oil and gas sectors in view of the experience and considerable resources of both countries."

The message follows a visit to Moscow by Mr Javad Larajani, *the Iranian deputy foreign* minister, in which he presented "new proposals" *for* Irano-Soviet co-operation. On his return, he told the Iranian News Agency that Mr Ryzhkov had appointed a special committee to examine the Iranian plans.

Tehran and Moscow were developing close energy links in the *1970s*, with the construction of a pipeline to carry Iranian natural gas to the Soviet Union, but these were disrupted by the Iranian revolution. A planned second gas pipeline, known as IGAT 2, was cancelled in *1979, and gas supplies were* cut off altogether in March 1980 after a price dispute.

There have, however, been periodic efforts to resume these supplies, generally reflecting the fluctuations in political ties between the two countries. In the second half of 1986, Moscow and Tehran signed an agreement to resume Iranian gas exports, but the deal was never consummated partly, it is believed, because of a dispute over which country should pay the costs involved in reopening the existing pipeline.

The Iranians are known to be *interested in gaining access to* Soviet expertise and technology in their oilfields. They have also said they want to explore *the possible* shipment of their oil over land to the Black Sea —though this is clearly a long-term goal

There have been signs in recent weeks of an improvement in political relations between Iran and the Soviet Union,

Warning on US computer imports

BY NANCY DUNNE

US imports of computers and business equipment will exceed exports within the next two months *for the first time*, according to projections by the industry's trade association.

While US exports of computers, business equipment and telecommunications continued to grow during the first four months of 1987, imports rose at an even sharper rate, according to the Computer and Business Equipment Manufacturers Association (CBEMA).

Overall, exports in the categories rose 14.6 per cent over the same period in 1986 to $6.5bn, while imports shot up 31.2 per cent to $6.4bn.

Despite these figures, the CBEMA issued unusual praise *for Korea*, although its high technology products continue to pour into the US market.

Mr Oliver Smoot, acting president of the Association, issued a statement recently lauding "the progress we are making with Korea in the area of intellectual property protection and market access for some segments of the high-tech *industry*."

Korea's alleged piracy of US intellectual property—records, tapes, motion pictures, books and computer software—has been estimated by the industry to cost American companies an estimated $146m in annual revenue.

In the first quarter of 1987 the US trade deficit with Korea increased by 20 per cent to $88.9m. *The most significant* gain was in Korea's telecommunications equipment exports, which rose by 38.7 per cent to $66m.

An investigation by the US Trade Representative of Korea's alleged copyright violations and other trading practices prodded action by the Korean government in the form *of a new law which is designed* to increase protection for intellectual property. On October 1 Korea is scheduled to join the Universal Copyright Convention, the international treaty organisation.

According to Mr Smoot, some US *high technology manufacturers* have reported progress by Korea in the area of market access, particularly in the areas of telecommunications hardware and services.

"We are hopeful that Korea's current remedial actions will have an impact on their surplus with the US," Mr Smoot said, "but we cannot project exactly when or how much."

Superconductor programme launched

BY LOUISE KEHOE IN SAN FRANSISCO

A US Government programme designed to give US companies an edge over foreign competition in developing commercial applications of "superconductors" has been launched by President Reagan in response to growing concerns that Japan may be gaining a lead in this new and potentially very valu*able technology.*

The "11 point Superconductivity Initiative" was announced at a Washington meeting of superconductivity experts. It will include "quick start" grants for commercial applications of superconductors, setting up government research centres, creating a "Wise Men's" panel to advise the Administration on superconductivity policy, and a $150m three-year research programme at the Defence Department to identify military applications of superconductors.

The President also said that he would be proposing legislation to loosen "antiquated" antitrust laws to allow joint venture research, tighten patent laws to discourage violations by foreign companies, and weaken the Freedom of Information Act to allow federal agencies to withhold scientific information that would harm US competitiveness if released.

"This is no longer the era of the so-called Robber Barons," he said. "It is the age of high-tech and global competition. Let's give ourselves a fair shake in the world marketplace."

Superconductors are materials that can conduct electricity without the loss of energy that occurs in normal electrical wiring.

Since last October scientists have made significant breakthroughs in superconductivity, *raising the temperatures* at which these materials become superconducting to minus 28 degrees F and making commercial applications feasible.

Possible applications of superconductors include improved medical diagnostic imaging systems, faster computers and futuristic levitated trains propelled at high speed along thin magnetic cushions.

Despite protests from the US scientific community, foreign participants were excluded from the Washington conference, which was organised by the Department of Energy. "It is the home team that we are trying to talk to in a very competitive high technology commercial world," explained White House science adviser William Graham. "That is the purpose of this conference." He called superconductivity "one of the most remarkable discoveries made in this century" as important as the invention of the transistor and the integrated circuit and predicted it eventually will be used "as extensively as electricity is used."

Lift-off for common fund for commodities

THE United Nations Common Fund for Commodities has received enough pledges of support to allow it to come into force, senior UN officials said yesterday, Reuter reports from Geneva.

Countries *which have either* ratified the fund, or told the current session of the UN Conference on Trade and Development (Unctad) that they intend to ratify it, have pledged 66.95 per cent of its capital.

Two-thirds *of the* $470m pool aimed at steadying commodity prices had to be pledged before it could be activated.

Mr Jose Ley Elias, the Peruvian vice minister for foreign trade, *ratified the fund* on behalf of his country yesterday, pledging 0.33 per cent of its capital.

Mr Kenneth Dadzie of Ghana, Unctad Secretary-General, said that when the necessary legal steps had been completed the countries involved would meet to discuss details of activating the fund.

So far only cocoa and rubber have formal stabilisation agreements that would enable them to take advantage of the fund.

Attention is now focusing on the so-called "secondary window" of voluntary contributions to promote research projects, officials said. Some $250m has already been pledged to this part of the fund.

Producers claim unfair competition from East European and Asian competitors, **Finn Barre** reports

Saudi Arabian cement industry seeks tariff barriers

SAUDI ARABIA's first all-out battle between traders and industrialists could lead to the introduction of 20 per cent tariffs on foreign cement.

Falling demand has created a conflict of interest between the Kingdom's four major cement importers (Redec, owned by millionaire Mr Gaith Pharoun, Rashid Abdurahman Rashid, Arabian Bulk Trade, and Rolaco), and its 10 domestic producers.

Up until 1986, the Kingdom's demand for cement was high enough to keep both producers and *importers happy*. In 1985, the Kingdom consumed 14m tons of cement. By 1986, total consumption of cement in the Kingdom was 11.5m tons, said *Ahmed al-Tweijeri, chairman of* the newest cement firm, Saudi Kuwaiti Cement. Domestic producers accounted for approximately 8.2m tons of the total. For 1987, demand is likely to be 9m tons.

The 10 domestic producers have a combined capacity of 14,961,000 tons of cement per *year. Of this*, 400,000 *tons per* year, produced by Riyadh's Saudi White Cement, is white cement. The remainder is Portland cement.

But not only do the companies have surplus capacity, *Mr Al-Tweijeri said, they have* also built up stocks of 6m tons of cement, enough to cover two-thirds of 1987 demand.

Prices of cement in the kingdom have fallen from around $70 per ton to less than $27. Saudi producers complain that their break-even point is $35

The cement firms state that they are subject to unfair competition from both Asia and Europe.

Mr Pharoun, whose joint ventures import cement in various markets across the world, said the average price for cement, even from the eastern bloc, is $28 per ton. But the *Greek* embassy gave figures which indicated a selling price of less than $22 per ton.

Now, Iraq and the United Arab Emirates have joined in exporting cement to the kingdom.

Mr Pharoun says that by keeping cement prices at *reasonable levels, the importers* have saved the kingdom billions of dollars.

The publicly-held cement industry has broader support than the traders. Some 300,000 persons hold shares in the cement plants. *The cement* industry is also one of the *highest value-added industries* in Saudi Arabia, says Saudi industrialist Dr Mahsoun Jalal.

The *government* also has a large stake in the cement sector. The government's low-cost industrial loan agency, the Saudi Industrial Development Fund, says that cement producers account for loans worth SR3.4bn ($906.6m) or 24.5 per cent of all SIDF loans.

Cement had the highest *return, 30.7 per cent, of any of* its industrial sectors, the SIDF claims. But "the SIDF figures were based on 1985," said Mr Al-Tweijeri. "Now Saudi-Bahraini has a 2.5 per cent return on investment, and 4.5 *per cent on paid-up capital.* Saudi-Kuwaiti cement company had no return because we posted a SR27m loss for 1986."

Dr Jalal argues that the government already extends 20 per cent protective tariffs to industries that are less important and *add less value* to their output than the cement industry. The government has awarded these protective tariffs to products ranging from bottled water to stranded cable.

Prices of cement in the kingdom have fallen from around $70 per ton to less than $27. Saudi producers complain that their break-even *point is $35. Mr* Pharoun, however, claims that because the companies benefit from subsidised electricity, they could make a profit at $27 a ton.

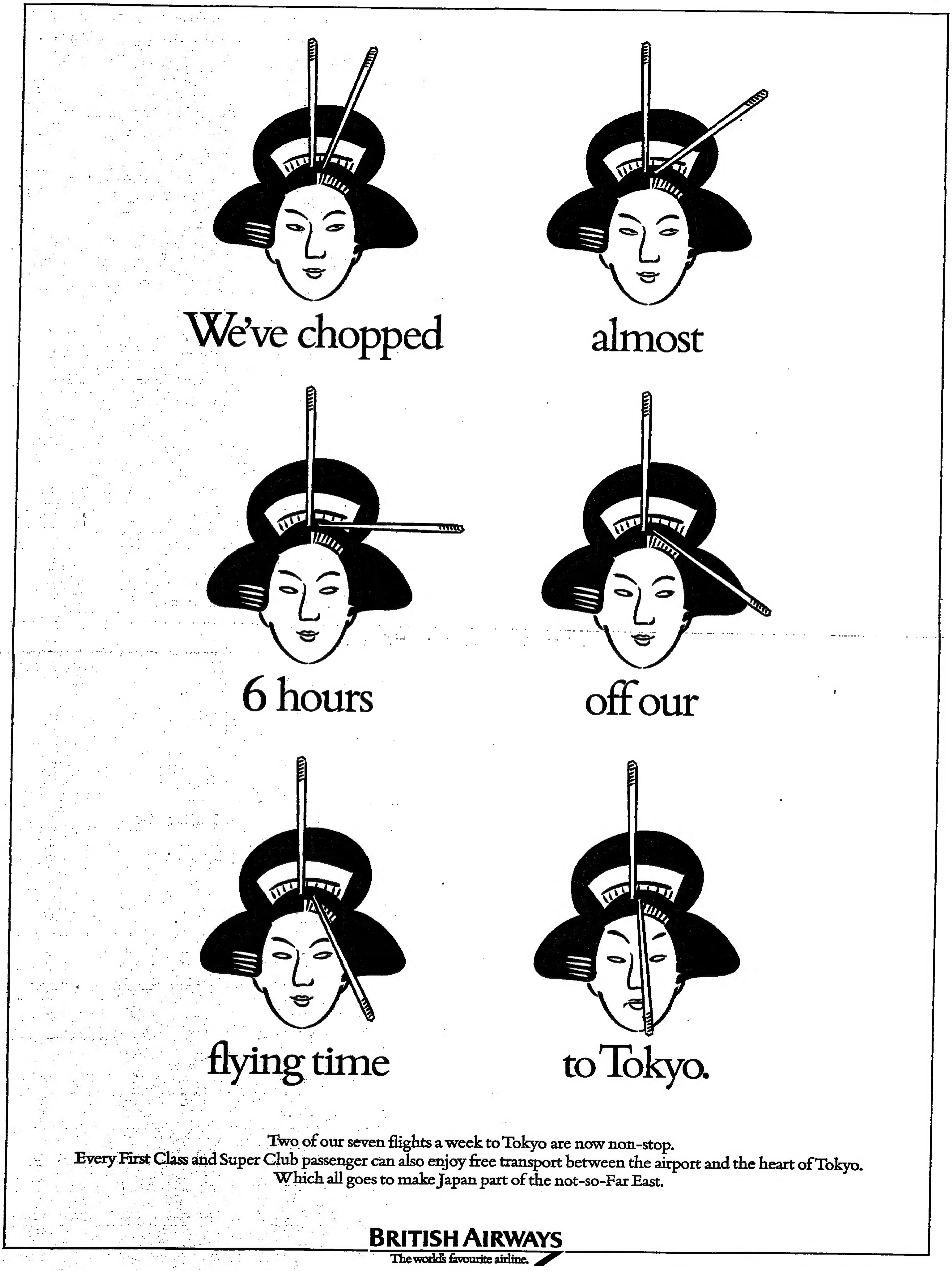
ECGD backs £100m loan for Algeria deals

By Our World Trade Staff

Britain's Export Credits Guarantee Department has guaranteed a £100m loan to finance the sale of UK capital goods, machinery and services in Algeria.

Finance is being arranged by Midland Bank, with a syndicate of banks, to Banque Algerienne de Developpement.

Exporters will receive up to 85 per cent of the eligible value of contracts direct from the loan and to qualify they must have a minimum eligible value of £500,000 be placed by June 30 1988 and approved for finance by the end of that year.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off our
flying time
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Two of our seven flights a week to Tokyo are now non-stop.
Every First Class and Super Club passenger can also enjoy free transport between the airport and the heart of Tokyo.
Which all goes to make Japan part of the not-so-Far East.
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Take-over Panel details directors' duties in bids

BY CLAY HARRIS

THE Takeover Panel acted yesterday to bolster the City's self-regulation of mergers and acquisitions by publishing guidelines on the responsibilities of directors whose companies are involved in takeovers.

The panel emphasised that the onus is on all board members, including non-executive directors, to ensure compliance with the takeover code. All actions taken in the course of a bid, apart from routine administration matters, must be reported to the full board within one or two days, the panel said.

Directors would be expected, on request, to supply to the panel minutes of board meetings or any other information in their possession. In the last resort, directors concerned about their company's conduct should make a direct approach to the panel. The principles should be adopted immediately by companies engaged in takeover offers, it said.

The guidelines will be incorporated in the preamble and detailed rules of the code. They are the first concrete action since Mr Robert Alexander, a barrister, became chairman last month.

The panel's decision to take the initiative in defence of its central self-regulatory role, after criticism and support for a statutory system, in the wake of the Guinness affair, is as important as the guidelines' content.

The central theme is that companies should consult the panel before taking any action about which any director has a doubt. Mr Alexander emphasised "the importance of complying with the principles and not merely with the rules."

The guidelines are intended to remind directors that their responsibility extends not just to official offer and defence documents but to any action undertaken in a bid.

If a special bid committee is established, the directors involved should promptly report to the full board details of relevant share dealings by the company and its associates and of "any agreements, understandings, guarantees, expenditure (such as fees) or other obligations entered into or incurred in the course of an offer."

They should also be in a position to justify to the full board any action or proposed action, the panel said.

Men and Matters, Page 20; Lex, Back Page

Abolition of property sale anomaly recommended

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE SELLER of a building or land who cannot deliver because he cannot prove his title to the property should in future be liable for all foreseeable losses suffered by the innocent party to the frustrated contract. That is the conclusion of a report and draft bill published today by the Law Commission.

The proposal is designed to remove an anomaly in English law dating from 1775 and known to lawyers as the rule in Bain v Fothergill after a case reported in 1874.

That creates an exception from the general rule that the unlucky buyer can claim compensation for all loss that could be foreseen by the defaulting party. According to Bain v Fothergill, he can claim conveyancing costs only.

The Law Commission had earlier reached the provisional conclusion that this exception should be abolished. Its view has been supported by three Appeal Court judges who took the view that the anomolous and illogical exception should be abolished.

Transfer of land — The Rule in Bain v Fothergill. Law Com. No 166 (Cm192). SO £4.10.

Pro-merger broadcast by Steel upsets SDP figures

By Tom Lynch

Mr David Steel, the Liberal leader, last night upset senior SDP figures by using a party political broadcast to make an appeal for the merger of the Liberal Party and the SDP into "a strong and united new party," with only a week to go in the SDP merger ballot.

"Had we been one party at the last election, we would have swept the board," said Mr Steel, arguing that more people would have voted Alliance if its message had been clearer. "A great many people in this country see us as the party of the future but would like to be sure that we are going to be an effective and united party.

"Six years is long enough for an engagement. It is time for wedding bells," he said.

Mr John Cartwright, the SDP MP for Woolwich and a leading supporter of the anti-merger stance of Dr David Owen, the SDP leader, said: "It is sad that one of the Alliance's few broadcasts should have been devoted to internal affairs, rather than looking to broader political issues."

Mr Steel predicted that "the next five years is going to see a struggle for the soul of Britain."

● In a booklet published yesterday by Radical Quarterly, an independent Liberal magazine, two leading figures in the Liberal Party—Mr Richard Holme, a former party president, and Mr Paddy Ashdown, MP for Yeovil—look beyond the merger debate to argue for a realignment on the political left.

University 'fringe' medicine centre

EXETER University's Centre for Complementary Health Studies, a research unit on alternative medicine, has opened.

Interest in what was once dubbed "fringe" medicine has increased dramatically. Complementary practitioners now give nearly 10 per cent of all primary medical consultations in the UK, with many patients being referred to them by doctors.

Andrew Taylor on how morale has improved at the Channel tunnel consortium

The light at the end of the Eurotunnel

THE CHANNEL tunnel consortium is entering the final straight as it prepares to complete financing arrangements for one of the world's great engineering projects.

By December, tunnel boring machines should have started work, provided Eurotunnel's plans to raise up to £5bn in loans and standby credits and £750m from share sales are concluded successfully during the next 16 weeks.

It has been a difficult struggle and the race is not over yet. None the less, the consortium can take some comfort from the position it is in as it enters the home stretch.

The project is in far better shape than its supporters would have dared hoped for at the beginning of this year when the consortium was racked by a series of British boardroom resignations.

Since then several factors have conspired to improve the consortium's image and boost confidence in management's ability to deliver the finance and then build the tunnel on time and within budget.

Some of the credit must go to Mr Alastair Morton, chairman of Guinness Peat, the London based merchant bank, who in February replaced Lord Pennock as British joint chairman of the consortium.

He has been assisted by the removal of several obstacles, which had cast a shadow over the project. Not least has been the completion of the political processes in Britain and France that led yesterday to the ratification of the Channel Tunnel treaty between the two countries.

Margaret Thatcher and Francois Mitterrand meet to ratify the Channel tunnel treaty

Fears that political arguments in Britain—the tunnel by contrast causes little controversy in France—might upset or delay the start of the project have proved groundless and ratification of the treaty should encourage investor confidence.

Attempts by ferry companies to undermine that confidence and create political unrest by attacking the tunnel's safety have been weakened by the sinking of the Herald of Free Enterprise, which has placed the ferry companies' safety procedures under scrutiny.

The signing of agreements with BR and SNCF, the British and French state-owned railways that will use up to 50 per cent of the tunnel's capacity, has removed another important hurdle that had threatened to impede financing plans.

Eurotunnel's image will have been done no harm by its tough approach to the railways in re-opening negotiations and by seeking improvements to a deal which BR and SNCF had agreed in principle six months earlier.

How much extra cash it actually succeeded in wringing out of the railways is difficult to ascertain. But the net effect of the new arrangements, with increases in traffic forecasts, should mean that the consortium will have more to offer prospective shareholders — on paper at least.

British investors will be expected to contribute about a quarter the size of the recent, successful BAA flotation.

The issue is expected to follow the sale of the Government's remaining stake in BP, also planned for this autumn, which is expected to raise about £8bn.

The sum Eurotunnel is seeking to raise is small by comparison, but the consortium knows it cannot afford to be complacent. Memories are still fresh of the difficulties it experienced last October trying to raise just £200m from investment institutions in an international share placing.

Eurotunnel has since strengthened its team of City advisers, led by S. G. Warburg, which will mastermind this year's share offer. This, unlike last October's share placing, will be open to the public.

The consortium is also considering different ways of making the shares more attractive, apart from the improved returns it expects to offer.

These might include some form of shareholder perks, possibly cheap fares, to encourage members of the public to invest.

The whole issue, which bankers say will have lots of razzmatazz, will be shaped to look like a privatisation issue. The fact that the consortium will seek a quote immediately after the issue will, for the first time, provide a market for the shares; which should further encourage institutional investors.

Expected soon, the signing of underwriting agreements with about 50 international banks covering the loan agreements should increase further the feeling of momentum the project has gained in recent months.

Morale at Eurotunnel is good. The feeling within the consortium is that the wind that had appeared to be blowing directly into the consortium's face for much of last year has at last veered round and is now at their back.

BBC to fund film designed for cinemas

BY RAYMOND SNODDY

THE BBC is to fund the entire cash flow of a £3m film designed for theatrical release (to cinemas). The film, a comedy, is to be produced by Mr Michael Codron, a stage producer who has also made one film, Clockwise. It will portray a retired man on a journey from Land's End to John O'Groats and will be written by Mr Michael Frayn.

This is the first time the BBC has taken such a big financial stake in a film for theatrical release. Mr Michael Grade, director of television programmes, yesterday declined to say how much money it was putting up. The corporation will have a small equity stake, and the right to televise the film after three years.

Mr Grade gave details of the film project yesterday as he announced a £4.8m package of 128 hours of programmes being commissioned from independent producers in financial 1987-88.

With programmes already commissioned, the total number of hours this year allotted to independent producers has risen to 200.

Mr Grade said: "We have more than a head start on ITV. We are just about to lap them. We are forming links with the best independents who are going to make the best programmes."

ITV companies consider network system shake-up

BY RAYMOND SNODDY

THE ITV companies are considering a fundamental reorganisation of their network system to give large regional companies more access to the national network.

The aim is to break the near monopoly held by the big five companies that produce 70-80 per cent of programming.

Proposals include representation on a reconstituted network committee for companies such as Anglia, and setting aside a proportion of programmes for "competitive tender" within the system to provide regional companies with greater opportunity to apply to make network programmes based on cost and quality.

The Independent Broadcasting Authority asked for suggestions for opening up the network system but the ITV companies are keen to come up with their own solution.

The changes would be introduced on a voluntary basis until 1989 when they could be included in new ITV contracts to run to the end of 1992.

If the proposals are implemented it might have serious implications for production jobs at the big companies—Thames, London Weekend, Central, Granada and Yorkshire.

Although geared up to produce the bulk of network programmes, they stand to lose work both to smaller regional ITV companies

Wright book 'detrimental' to Australia

By Chris Sherwell in Sydney

THE CANBERRA government's definition of Australia's national security interests yesterday emerged as an unexpectedly large obstacle for Mr Peter Wright, the former MI5 officers, in his continuing legal campaign for the right to publish his controversial memoirs.

The problem surfaced during the third day of hearing sin the New South Wales Court of Appeal, where the British Government is seeking to overturn the state supreme court's decision last March to refuse an injunction preventing Heinemann Australia publishing Mr Wright's book, Spycatcher.

Referring to a key affidavit submitted by the Canberra government during last year's proceedings, Mr Justice Michael Kirby, a member of the three-man bench, told Mr Malcolm Turnbull, counsel for Heinemann and Mr Wright, that the Australian national security issue was "the gateway you've got to get through" to succeed in the case.

The affidavit, by Mr Michael Codd, the Australian Cabinet Secretary, said it would be detrimental to Australia's national security interests if Mr Wright's memoirs were published.

The appeal hearings are scheduled to end tomorrow.

● Confusion over how far newspapers can go in publishing extracts from Mr Wright's memoirs might be ended today.

Five Law Lords may give their ruling on the Government's battle to keep secret those of Mr Wright's allegations which have not yet leaked.

After the Law Lords reserved judgment yesterday, the presiding judge, Lord Bridge, said they might give their decision today.

Sir Patrick Mayhew, QC, the Attorney General, and three newspapers, The Guardian, Observed and Sunday Times are seeking to overturn last Friday's Appeal Court judgment restricting the papers' use of Mr Wright's material to very general summaries.

Terrorist fear over EC judicial move

BY A. H. HERMANN, LEGAL CORRESPONDENT

A MOVE to give tourists access to courts of countries they are visiting, recommended by the EC Commission, might open the door to terrorists, according to the House of Lords European Communities Committee.

The committee, which examined a commission recommendation that member states should sign and ratify the Hague Convention on International Access to Justice, says the promotion of tourism, by which the commission justifies its proposal, is not an objective of the community. Therefore the community has no power to commit members to enter into such obligations to countries outside the EC.

The committee recognises that there would be some advantages in accepting the convention but has reservations about its provision of immunity from prosecution for previous offences to witnesses from contracting states. Such witnesses might be criminals or terrorists who would be able to enter the UK freely.

Written evidence or video recordings of oral evidence given abroad would be usually sufficient, and the granting of immunity might be desirable only in exceptional circumstances.

One advantage of the convention for UK nationals would be legal aid abroad. This is already available in the UK to foreign nationals or residents. However, it would be useful to compile an international directory on legal aid, the committee says.

The committee would also view favourably the limit on security for costs which the convention prescribes. This would be preferable to the present UK practice where security for costs is often required simply on proof that plaintiffs reside abroad.

Select Committee on the European Communities. International Access to the Courts. HL Paper 7. HMSO. £4.70.

Police investigate City poll allegations

BY RALPH ATKINS

ALLEGED irregularities in a City of London council election last December are being investigated by police.

The inquiry into the Cornhill ward election is at the request of the Crown Prosecution Service and is understood to centre on allegations that bogus names were added to the electoral register.

The City Corporation, which has responsibilities including planning and porperty development, has 136 members of the Court of Common Council and 25 aldermen who are elected for life but usually retire at 70.

Cornhill ward is represented by three councilmen and an alderman. It has 155 voters.

The corporation has a total of 14,454 voters on its electoral role but less than a third live in the City.

Lucy Kellaway looks at the growing influence of the large oil companies

A new look in the petrol market

MOTORISTS WHO take Mrs Thatcher's advice and shop around for their petrol can expect little satisfaction. The so-called independents which are meant to provide the competitive edge that keeps the leading companies on their toes do not live up to their name. Their freedom from the big oil companies is limited and shrinking.

That is the thrust of the Petrol Retailers Association's demand that the Monopolies and Mergers Commission should have another look at the petrol market.

It argues that the issue should be re-opened because the structure of the petrol market has changed since the last inquiry in the late 1970s. It says that the control of the leading companies has increased, and that motorists are suffering.

In 1979 the oil companies were doing so well out of production that they were able to ride the losses in refining and marketing that followed from the rise in crude prices. Now the position has been reversed —with squeezed profits "upstream," the leading companies are increasingly concentrating their efforts on refining and petrol marketing.

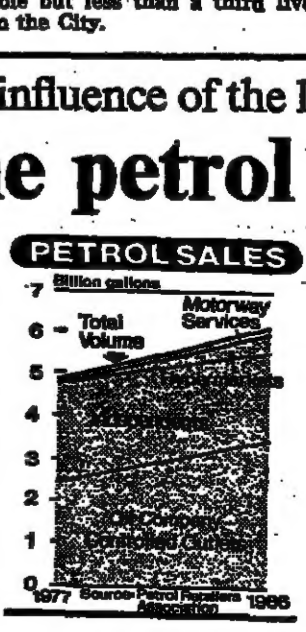
The petrol market is experiencing the same sort of revolution that the grocery industry went through some 10 years ago. The small petrol stations have been closing down while the large sites on motorways and in towns have been expanding rapidly.

While the volume of petrol sales has shown steady growth during the last decade, the number of petrol stations has been cut by 10,000 to about 20,000, and on some reckonings will have shrunk by a further 5,000 by 1990.

The trend towards higher volume sites has meant that a larger share of the market is going to the leading companies. The large investments needed for the biggest sites—more than £1m in some cases—seems to have cut out independents. The leading companies now account for nearly 60 per cent of the total market, compared with 50 per cent 10 years ago and the PRA fears that will have risen to 70 per cent by 1995.

A second concern is the change in the method of operating the sites. According to the PRA, the old tenancy and lease arrangements are being replaced by licences and franchises, which give the oil companies a larger say in the running of individual sites.

Alongside that increase in direct control is an increase in the influence the leading companies have over the independents, the PRA claims. When the Monopolies Commission last investigated, the independents bought their petrol by the barge-load on the spot market. Two oil shocks later, almost all of them buy the petrol on long-term supply contracts from the main refineries which, according to the PRA, are capable of intervening if they do not like the pump prices that the independents are charging.



Meanwhile there has been a shake-out among the independents that may lead to less competition. Over the past year Kuwait Petroleum International — which is rapidly becoming a large integrated oil company — has made an important bid for the market, buying such independents as Pace, Sadler, Roberts and Nafta and buying the petrol retailing interests of Ultramar.

Yet over the past decade the change has not all been in the interests of the big refiners. One dominant feature of the petrol market has been the emergence of hypermarkets as an important force. Indeed, their existence ensures that motorists get a reasonably fair deal. Even though there are only about 250 hypermarkets they have secured a 6 per cent share of the market by undercutting prices by about 10p a gallon.

However, the PRA does not expect the present position to last much longer. It claims that the oil companies only agree to sell their products at cut price because their refineries are still operating with significant overcapacity. It argues that overcapacity will have been largely eliminated during the next few years, and that if the hypermarkets find themselves without cheap supplies, motorists will be left at the mercy of the leading companies.

The Office of Fair Trading may not see it like that. For so long as motorists can shop around at hypermarkets—if they are lucky enough to live near one—it may fail to see any need for re-opening the case.

UK NEWS

Horsehead pays $190m for BOC graphite business

BY DAVID WALLER

BOC GROUP has finally succeeded in finding a buyer for its US carbon graphite business, which has absorbed hundreds of millions of dollars of investment during the present decade and not made a profit until the first half of the last financial year.

Horsehead Industries, a private US company, is to buy the business for a total of $190m (£118m), of which $160m is in cash and the balance in the form of outstanding debtors. BOC is to retain the profitable needle coke business.

The City of London has long regarded the graphite business as an albatross around the neck of the maker of industrial gases and health care products, and greeted the disposal enthusiastically. BOC's shares rose 24p to close at 552p.

BOC acquired its graphite interests as part of the purchase of Airco in 1979. It has invested an estimated $330m in the business since 1982, but profits suffered from the high value of the dollar, which inhibited exports, and from a decline in the domestic steel industry for which Airco makes graphite electrodes for use within electric arc furnaces.

Brokers expect that the graphite business will contribute £15m to BOC's operating profits in the year to the end of September, against a £10m loss last year. Most of this turnround is due to the weakened dollar and the reduced depreciation charge which followed the writing-down of this division's assets by $128m last year. This was taken above the line as an exceptional cost in last year's accounts.

The sale price is in line with the book value of the graphite's assets subsequent to this write-down, so there will be no profit or loss on disposal. Analysts expect that in the next financial year, interest receivable on the proceeds will broadly offset profits foregone.

Mr John Barnes, chief executive for finance and planning, said that the disposal would free resources for investment in gases and health care, currently running at £250m to £300m a year.

"The business is cash positive and profitable," Mr Barnes said, "but is not exciting to us in the long term."

He said that the business had been for sale for 18 months and a number of approaches had been received, but that BOC had been unwilling to contemplate a sale below a price which would compensate for the loss of future cash flows.

The agreement to sell is subject to clearance from the US anti-trust authorities. BOC makes 90,000 tons of graphite a year and Great Lakes, 100,000. This is far short of the 400,000 tons made by Union Carbide.

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Lucas offers improved pension funds deal

BY DAVID BRINDLE, LABOUR CORRESPONDENT

LUCAS INDUSTRIES has offered substantial improvements in its employees' pension funds after workers rebelled against the group's declaration of a second successive two-year pension contribution "holiday."

The improvements, which are likely to win shopfloor acceptance of the holiday, provide further evidence of workers' growing reluctance to allow employers to suspend their pension contributions without giving something in return.

Lucas declared its second contribution holiday in March. At the same time, it announced that, from 1989, it would change its method of contribution from the previous fixed rate to a balance-of-cost system, where the employee still pays a fixed rate but the employer pays the balance required to maintain benefit levels.

Unions representing the 45,000-strong workforce launched a protest campaign, including a one-day strike by about 20,000 employees, and succeeded in persuading the group to negotiate.

The resulting offer is now being voted upon. It reaffirms the contribution holiday but gives concessions, including a cut in the employee's contribution rate from 6 per cent to 5.25 per cent for staff grades and from 4.5 per cent to 4 per cent for manual workers.

In addition, accrual rates would be improved; death-in-service benefits would be raised; early retirement provisions would be made more beneficial; and the "temporary pension" – paid to bridge a 2½-year gap between Lucas retirement ages and state provision – would be increased from a present maximum of £900 a year to £2,000.

Lucas yesterday described as "very speculative" a union claim that the surplus in the staff pension fund alone amounted to £112m.

Government loses CBI support over taxes

BY HAZEL DUFFY

BRITISH EMPLOYERS have withdrawn their support for the Government's proposed uniform business rate (local property tax).

The Confederation of British Industry (CBI), the employers' body, agreed last year to support a uniform rate on condition that it led to a reduction of 25 per cent in the tax paid by businesses. This would be equivalent to a cut of £2bn in the annual £8bn rates bill paid by businesses.

CBI officials said yesterday that they had now been told by ministers that the condition would not be met.

The employers' move marks the start of a new campaign by the CBI for a reduction in business rates.

It is arguing that that business is subsidising domestic ratepayers by about £3bn a year. That is the amount by which business rates have gone up in real terms over the past six years.

This money, says the CBI, roughly equals the total spent each year by British industry on research and development.

Scene set for electricity sell-off

BY MAX WILKINSON, RESOURCES EDITOR

THE GOVERNMENT yesterday took its first big step towards privatising the £39bn electricity industry with the appointment of Kleinwort Benson, the merchant bank, to advise on how the sale should be structured.

The Central Electricity Generating Board, (CEGB), which has a monopoly over the production of power south of Scotland, is expected to announce today that it has appointed Lazard Brothers, the merchant bank as its own adviser.

The appointment of the two financial advisers sets the scene for a tough struggle between the CEGB and Whitehall. This will centre on whether the national transmission grid should be severed from the generating part of the CEGB. It could be either a separate private company or remain in the public sector.

The Government's advisers will also be looking at the feasibility of splitting the CEGB into three or four competing electricity generating companies to be sold separately. However, it is now common ground that this could not be done within Government's timetable for selling the industry within the present parliament.

This option is, therefore, already considered informally to be dead, unless the Government is prepared to make a big change in its privatisation strategy.

However, battle has still to be joined on competing plans for selling the 12 area electricity boards, which sell and market power. They could be consolidated into one large private company, sold separately or combined into four or five private regional power companies.

Those in Whitehall who want to promote the maximum possible competition in the privatised industry hope that the grid can be hived-off and that a number of independent area boards will be established to compete in building new power plant.

However, it is generally accepted that privatisation would be much easier in the time available if the public were offered two large organisations, one with a monopoly over generation and transmission, and the other over selling electricity.

Moreover, the CEGB has been arguing strongly that splitting the transmission grid from generation presents severe if not insuperable technical problems. Even those who favour a split-up on competitive grounds accept that it would be technically difficult.

The banks will have to assess whether an adequate financial track record can be constructed for separate parts of the CEGB if it were de-merged. They will also need to advise on different regulatory schemes and how they would affect the markets' estimation of the companies' value.

Teams of civil servants and bankers will be working through August on the outlines for different regulatory regimes. These will be needed to ensure that area boards and any private consortia which want to build a power station can have full access to the grid. Regulations will also be needed to protect consumers against the monopoly powers of area boards.

Union offers members free legal service

BY OUR LABOUR STAFF

ONE OF Britain's largest trade unions is shortly to offer its members a free legal service on non-employment matters such as motoring, consumer and matrimonial affairs, tenancy agreements and other housing problems.

The scheme, drawn up by the EETPU electricians' union, marksa further extension of its move towards what it calls "market unionism." Members will be able to obtain free consultations with designated solicitors.

The EETPU is taking advantage of the more liberal approach of many solicitors' firms after their loss of the monopoly on house conveyancing (the legal transfer of property). Many firms are now ready to consider different methods of winning business, such as the electricians' scheme.

The free service covers a half-hour consultation with a lawyer, but the union plans eventually to extend the range of service to include a free specific amount of work up to, say, £100 worth.

The union originally looked at phone-in legal services, with a lawyer available on the telephone 24 hours' a day, but found the services offered prohibitively expensive.

But it was able to use research by such firms to identify the main areas of likely concern.

Tougher action on illegal accountancy called for

BY RALPH ATKINS

STRONGER WEAPONS to stamp out illegal creative accountancy by local councils are called for in the Audit Commission's annual report published today.

The commission, which monitors local authority finances, says district auditors should have the power to stop councils setting up schemes of doubtful legality. At present auditors can take action only when the council's accounts are submitted—which can be up to 18 months later.

Enhanced powers would reduce auditors' and the commission's feeling of helplessness in the face of the increasing use of creative accounting by some local authorities to get round spending restrictions.

Mr David Cooksey, chairman of the commission, says in his foreword to the report: "These postdated cheques—sometimes for very considerable sums—will have to be met eventually. In a few cases it is difficult to see how they can be without dramatic cutbacks of a kind which may threaten the authority's very existence."

He says the power to stop unlawful deals — which was recommended in the 1986 Widdicombe report on the conduct of local authority business — would allow auditors to police councils more effectively.

It would also restore close links between auditors and treasurers which have deteriorated in some authorities.

David Cooksey: 'disturbing signs'

"There are disturbing signs in a small number of authorities that the relationship is not as close as it once was, and there is evidence that treasurers, sometimes under intense political pressure, are pressing ahead with novel and often at first sight costly financing devices without prior consultation with their auditors," says Mr Cooksey.

Under the present system it can take many years for disputes to be settled. For instance, auditors reports have still not been issued on delays in setting a rate in 1985 by the London boroughs of Cemden, Islington, Southwark and Hackney.

The report also says local government finance could be put on a sound long-term footing by introducing prudential guidelines for council treasurers.

Unlike companies, local authorities do not publish balance sheets showing future capital and lease commitments making it difficult to judge whether councils are acting responsibly.

The commission is working with the Chartered Institute of Public Finance and Accountancy to draw up guidelines acceptable to the local authority associations. Eventually they could be used by courts to judge whether a council had acted reasonably.

The guidelines will probably use ratios such as current expenditure as a percentage of total debt and would show the future burden of schemes designed to increase short-term spending.

"We believe that guidelines can be devised and, further more, that without them there is a severe risk that central government may choose to place yet more onerous restrictions on local government as a while," says oMr Cooksey.

Fourth Audit Commission Annual Report and Accounts. HMSO. £3.40.

London ratepayers lose legal battle

PROTESTING ratepayers in Waltham Forest, east London, lost their High Court battle *yesterday against a 62 per cent* rate increase.

Two judges rejected the complaint of the 20,000-strong Waltham Forest Ratepayers' Action Group that the Labour-dominated borough council had imposed an "irrational, unreasonable and illegal" increase.

The ratepayers, who raised *more than £85,000 to fund their* legal campaign, plan to take their case to the Court of Appeal.

Lord Justice Glidewell, sitting with Mr Justice Schiemann, said they acknowledged the strong arguments put forward by the ratepayers against the "massive" rises, but the court could not say that the decision to impose it on March 10 was irrational.

The judges also rejected the argument that the council had failed to comply with its legal duty to consult its commercial and industrial ratepayers properly.

Townsend ordered to pay part of inquiry cost

By Kevin Brown,

TOWNSEND CAR FERRIES was yesterday ordered to pay £400,000 towards the costs of the public inquiry into the Herald of Free Enterprise ferry disaster.

Mr Justice Sheene, the High Court judge who chaired the inquiry, said Townsend, a subsidiary of Peninsular and Oriental Steam Navigation, bore a heavy responsibility for the loss of the Herald, which capsized off Zeebrugge on March 6 with the loss of 188 lives.

P & O which acquired Townsend only weeks before the disaster as part of its takeover *of European Ferries*, has already spent about £750,000 on legal representation at the inquiry.

After the inquiry report was published last Friday, it was criticised in the Commons, where MPs on both sides of the House said the company had escaped punishment.

Mr Justice Sheen appeared to have that criticism in mind yesterday as he announced his decision on responsibility for costs.

"There being no other way in which this court can mark its feelings about the conduct of Townsend Car Ferries Limited other than by an order that they should pay a substantial part of the costs of this investigation, I have ordered them to pay the sum of £350,000," he said. "That seems to me to meet the justice of the case."

Mr Justice Sheen also ordered the company to pay £50,000 to the National Union of Seamen, which represented surviving crew members and relatives of victims.

The judge also ordered the Transport Department to pay £39,675 towards Mr Stanley's legal costs and £25,000 for Mr Lewry and Mr Sabel, and £10,000 for surviving passengers and relatives of victims.

Austin Rover Cars of North America 'profitable from start'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN DETROIT

AUSTIN ROVER Cars of North America, in which the state-owned Rover Group has a 49 per cent holding, has been profitable from the moment it started selling the UK company's cars in the US in February. By last month it had more than covered start-up costs incurred in the previous two years.

Mr Ray Ketchledge, Arcona president, said the value of the company's sales would reach $400m (£250m) this year and contribute significantly towards Austin Rover's financial recovery.

Mr Ketchledge is convinced, after talks in the UK last week, that Austin Rover will return to profit at the end of this year after many years of heavy losses. He believes Austin Rover, the Rover Group's volume car subsidiary, will be returned to the private sector in two or three years.

However, after talking to politicians from both main British parties, he feels it will be sold neither to Honda of Japan, with which it has several joint-venture projects, nor to Ford, which expressed interest just over a year ago but was asked to withdraw by the UK Government because of the outcry caused by news of the potential deal.

Mr Ketchledge, who has been giving a progress report on Arcona at the Automotive News congress in Detroit, will not comment on suggestions that Mr Norman Braman, the Miami businessman who owns the other 51 per cent of Arcona, might become involved in any purchase of Austin Rover.

He said Arcona's financial position was so strong that the company had decided to boost the advertising budget for the Sterling, the executive car jointly developed by Austin Rover and Honda which is sold in Europe as the Rover 800 Series. Spending on advertising in this second half would be double that in the first half.

However, Mr Ketchledge said Sterling sales this year would not reach the target of 27,000 set by Arcona at the start of the year. He forecast sales of about 20,000, rising to more than 30,000 in 1989 and reaching between 60,000 and 70,000 in the early-1990s when Arcona would have a bigger range of Sterling models to offer.

That is a less optimistic prediction than that of Mr Braman last year. He suggested then that Sterling sales would reach an annual 90,000, worth $1.5bn, in five or six years, matching those of BMW and Mercedes in the US today.

Mr Ketchledge said sales this year had not gone as well as expected, partly because the European luxury-car sector in the US was slightly depressed but mainly because Arcona underestimated demand for the Sterling 825 SL, the more expensive of the two models on sale in the US. It costs $23,900, against $19,000 for the 825 S model.

Arcona expected the SL would account for about 45 per cent of total Sterling sales but demand had been running at 80 per cent and should settle at about 70 per cent.

Lotus unhappy about test track sale

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE SALE of General Motors' Millbrook test track would be a blow to the US group's latest acquisition, Group Lotus, Mr Mike Kimberley, managing director of the Norfolk-based sports car and engineering company, said yesterday.

GM recently put the Bedfordshire track, one of the best in Europe, up for sale along with its Luton engineering centre, and told 800 highly qualified staff that if no buyer could be found both would be closed.

The facilities were mainly used by GM's heavy truck business, which in the UK has been shut down. The US operations were sold to a joint company controlled by Volvo.

GM said several potential buyers have expressed an interest in Millbrook, which Mr Kimberley described as "an excellent test centre which Lotus uses a great deal and which should remain in the GM family. It would be a great pity if it was sold to an outside organisation."

Mr Kimberley said Lotus could not afford to buy Millbrook, which he estimated is worth between £10m and £16m. "I would love to be able to afford it," he said, but pointed out that Lotus is expected to finance itself and, although GM paid £22.7m for the company in January last year, the US group provided no new capital.

Mr Kimberley said the addition of Millbrook to Lotus's facilities would make the company the UK's biggest automotive engineering consultancy, half the size of its main rival, Porsche of West Germany, rather than one tenth the size.

Mr Kimberley, speaking at the Automotive News congress in Detroit, said Lotus produced a taxable profit of nearly £2m last year, and the company's performance so far this year wah ahead of plan.

Fuel cells research on increase, says study

By David Fishlock, Science Editor

OPPORTUNITIES for research into fuel cells are being stimulated by foreign interest, especially from the US and Japan, according to a discussion paper produced for the Energy Department.

Fuel cells are types of battery that convert fuel continuously into electricity by electrochemical processing.

Britain pioneered post war fuel cell development, with a system later developed and used in the US space programme, but has conducted virtually no research on projects with the greatest commercial promise.

Commercial prospects are the focus of programmes in the US and Japan. Italy and the Netherlands have also entered the field recently, says a study commissioned by Dr John Rae, chief scientist at the Energy Department.

The study, produced by the department's think tank at Harwell, may become the basis of a public discussion which Dr Rae hopes to organise later this year.

Of seven main types of fuel cell under "active consideration," only two are close to being applied commercially, but two others are under intensive development, notably in the US and Japan.

The study suggests that the molten carbonate fuel cell probably offers the best prospects for research by Britain, "probably through a co-operative European venture, which might usefully draw on US expertise initially."

It says that some formidable materials difficulties have to be overcome and sees the technology as a target for basic as well as applied research.

Fuel cells: an update. ETSU-N-104. Available free from the Energy Technology Support Unit, Harwell, Oxfordshire OX11 0RA.

● BUSINESS LAW

Arbitration as protection against punitive damages

BY LEO HERZEL AND DANIEL HARRIS

THE US is more and more tormented by high-risk, big-stake jury litigation. Deep pockets are the direct targets, but everyone suffers in the form of higher prices.

Some industries would clearly, on average, be better off if they could substitute arbitration for litigation. Arbitrators tend to be much more predictable than jurors in their determination of liability and more conservative in their assessment of damages and liabilities. They are far less likely to be swayed by sympathy for the underdog or prejudice against the wealthy. A jury waiver clause would have some of the same advantages. However, enforceability of an arbitration clause is far more certain because of the Federal Arbitration Act.

Arbitration clauses are ideally suited to repeated transactions because the occasional random advantages of litigation can be safely averaged out of consideration. Securities, banking and accounting are examples of industries that would probably be much better off, on average, with arbitration. Members of these industries have all been defendants in very big-stake litigation. Some of these cases have been lost or settled for very large amounts.

In April a Florida jury found Continental Bank liable to a West German real estate developer for $105m in breach of contract damages because the bank, after an alleged default by the developer, cancelled financing on a project in which the developer had invested $3m. In mid-June a California rancher who claimed he had been given bad financial advice by the Bank of America won a $50m jury verdict, which included $30m in punitive damages. Also in June, another California jury held Wells Fargo bank liable to a California farmer for $60m (including $50m in punitive damages) because the bank declined to make additional loans to support the farmer's 1,500-acre operation.

Accounting firms face similar problems. During 1985, due to a rash of similar suits, accounting malpractice insurers raised their premiums an estimated 125 per cent while lowering coverage limits by roughly a third. Since then the situation has become much worse.

The securities industry has already tried to deal with some of these risks through the use of arbitration clauses in brokerage agreements. There have been some legal difficulties in enforcing these clauses, but the recent US Supreme Court decision in *Shearson/American Express Inc v McMahon* upholding an arbitration clause solved two of the most important of them *(see, Herzel, Abitration clause as protection against RICO litigation, FT July 3)*.

The grievance alleged against the securities broker in that case was fraudulent, excessive trading of the plaintiffs' account and false statements and omitted facts in connection with advice given to the plaintiffs. The laws relied upon by the plaintiffs were SEC Rule 10b-5, which prohibits securities fraud, and RICO, the federal anti-racketeering law. The Supreme Court decided that there was nothing special in Rule 10b-5 or RICO that would preclude enforcing an agreement to arbitrate in accordance with the Federal Arbitration Act.

The Supreme Court's decision gained an important advantage for the securities industry. However, it may also provide a big opportunity for other *industries such as accounting* and banking, which have made little or no effort to solve their litigation problems through the use of arbitration.

Accountants may be able to protect themselves from lawsuits by disgruntled clients by placing arbitration clauses in their letters of engagement. Under the *Shearson* decision, these clauses would assure arbitration of securities fraud and racketeering claims. Under earlier Supreme Court decisions, arbitration would also be *assured for state law claims*, such as fraud, negligence and breach of contract.

Arbitration clauses would also protect accountants in some shareholder litigation, for example derivative suits brought on behalf of accountants' corporate clients. Shareholder derivative plaintiffs should normally be bound by the corporation's agreement to arbitrate to the same extent as the corporation.

Shareholder class actions present a more difficult problem. Since individual shareholders would not be parties to the engagement letter, they could not be bound by its arbitration clause. Mainly, this problem would be limited to fraud claims. In many states (New York, Illinois and Florida, for example) accountants can be sued for negligence only if there is a contractual or near-contractual relationship between the plaintiffs and the accountants. Other jurisdictions, however, like New Jersey and Wisconsin, are more liberal in allowing negligence suits against accountants.

A client's bankruptcy can be a dangerous situation for the accountant who may be one of the deep pockets left. While some courts have enforced arbitration agreements against the trustee in bankruptcy, other courts have held that the federal policy in favour of arbitration may be outweighed, in the discretion of the bankruptcy judge, by the federal policy favouring expeditious resolution of bankruptcy claims and contralisation of all disputes involving bankruptcy in the Bankruptcy Court. However, after the Supreme Court's decision in *Shearson*, it may be more likely that bankruptcy courts will enforce arbitration clauses.

Given the recent wave of mammoth jury verdicts in lender liability cases, the banking industry, including foreign banks, should be considering arbitration as a solution. If banks put arbitration clauses in their loan agreements and commitment letters, customers could be forced to arbitrate claims, such as that the bank improperly cancelled financing or wrongfully accelerated a loan.

More exotic fraud and racketeering charges could also be forced into arbitration. Arbitration clauses could be enforced in shareholder derivative suits brought on behalf of corporate borrowers and, probably, in many lender liability suits filed by receivers and bankruptcy trustees. Class action plaintiffs would probably be covered by the clauses.

Arbitration clauses have certain disadvantages. Because arbitration is quicker and less formal, public and expensive than litigation, some clients and customers who would not sue may decide to arbitrate. Also, in some situations, it may be *harder to avoid paying on some* legally defective claims. Arbitrators are less likely than judges to dismiss claims on the basis of strict legal rules. They also have a tendency to compromise.

A solution would be arbitration programmes sponsored by industry and professional associations in the way that the New York Stock Exchange handles arbitration of customer claims against its broker members. Arbitrators in these programmes would become experi*enced in industry customs* and standards. The programme could develop rules and precedents. Arbitration clauses could then simply require arbitration in accordance with the rules and procedures of the industry or professional programme.

In any event, deep-pocket defendants are likely to fare much better on average with arbitrators than they do with juries. No matter how sympathetic arbitrators may be to plaintiffs' grievances, they tend to be much more restrained.

The authors are partners in the Chicago law office of Meyer, Brown and Platt.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1986							
1st qtr.	108.1	102.6	106	119.3	140.8	3,171	166.5
2nd qtr.	109.8	104.0	105	121.3	154.0	3,203	175.6
3rd qtr.	110.9	105.6	106	122.7	158.7	3,262	200.2
4th qtr.	110.9	107.1	112	126.5	164.3	3,141	213.0
November	111.1	107.6	111	127.2	183.9	3,145	215.2
December	110.2	107.4	115	128.7	224.9	3,119	216.9
1987							
1st qtr.	112.2	107.4	108	125.4	157.6	3,078	216.4
2nd qtr.				128.2		2,965	226.1
January	111.2	108.2	114	123.6	152.4	3,114	210.2
February	112.7	108.2	108	127.0	154.5	3,066	207.1
March	112.3	107.9	102	125.5	157.8	3,049	218.6
April	112.9	108.6		130.6	169.6	3,018	218.9
May	112.2	109.1		125.4	161.3	2,952	231.2
June				129.2		2,925	233.3

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	103.9	101.4	115.0	101.5	108.2	103.1	14.2
2nd qtr.	105.2	101.0	115.9	102.5	110.0	104.1	19.5
3rd qtr.	106.5	101.6	117.5	103.1	109.0	103.1	18.9
4th qtr.	106.2	102.4	116.1	104.6	115.4	104.5	15.3
October	107.5	102.4	117.1	104.0	113.0	105.0	19.2
November	108.5	102.2	116.3	105.0	116.0	105.0	15.9
December	106.2	102.4	114.9	105.0	118.0	103.0	10.7
1987							
1st qtr.	107.5	102.7	118.4	105.7	115.1	104.8	17.1
January	107.1	102.9	117.1	105.6	107.6	105.0	12.7
February	108.0	102.9	119.0	106.0	122.0	105.0	18.2
March	107.4	104.4	119.2	106.0	117.0	104.0	20.2
April	107.8	104.2	117.6	106.0	117.0	105.0	19.3
May	108.0	104.9	119.2	107.0	125.0	105.0	16.4

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+662	+1,899	101.9	18.75
2nd qtr.	121.9	128.5	−1,551	− 94	+772	102.6	19.29
3rd qtr.	122.6	138.5	−2,573	−931	+646	102.1	20.14
4th qtr.	130.5	143.4	−2,662	−756	+846	100.5	21.97
October	127.0	139.6	−715	−198	+226	101.5	21.99
November	132.8	146.7	−1,080	−384	+354	100.9	22.01
December	131.6	143.9	−857	−272	+266	100.1	21.92
1987							
1st qtr.	131.6	132.2	−1,135	+665	+1,164	100.5	23.75
January	124.6	131.4	−517	+ 83	+383	100.2	21.95
February	136.4	136.0	−202	+396	+328	100.4	22.26
March	136.9	139.2	−417	+184	+454	100.8	27.04
April	130.8	137.1	−504	− 96	+419	102.4	29.81
May	122.5	143.6	−1,161	−561	+361	103.4	34.63
June							34.36

FINANCIAL—Money supply M0, M1 and M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1986							
1st qtr.	4.1	21.4	19.3	+6,203	2,220	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,455	1,433	7,739	10.00
3rd qtr.	5.9	30.3	15.4	+6,996	168	8,223	10.00
4th qtr.	7.8	15.3	14.1	+10,531	2,814	8,178	11.00
November	6.4	28.4	19.0	+3,847	160	2,635	11.00
December	10.1	6.6	9.1	+3,196	763	2,784	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,663	1,475	8,881	10.00
2nd qtr.					1,804		9.00
January	7.7	18.1	13.5	+1,698	456	2,695	11.00
February	0.1	18.9	17.8	+2,879	472	2,949	11.00
March	−3.8	33.8	20.4	+2,086	547	3,237	10.00
April	0.1	29.7	33.6	+2,004	727	3,080	9.50
May	5.5	37.3	32.7	+2,748	521	3,043	9.00
June					556		9.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured *products (1980=100)*; retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.4	96.5	96.9	1,825	75.1
2nd qtr.	184.0	125.8	145.7	97.8	96.7	1,714	76.1
3rd qtr.	187.4	120.8	146.2	97.9	98.3	1,464	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.2	1,608	68.2
November	191.2	127.5	147.4	99.3	98.1	1,612	68.5
December	193.4	130.4	147.9	99.6	98.8	1,638	68.4
1987							
1st qtr	192.1	129.5	149.2	100.3	100.5	1,580	69.9
2nd qtr.		128.5	150.9	101.9	101.8	1,598	72.8
January	190.4	131.7	148.9	100.0	100.0	1,603	68.5
February	191.2	129.6	149.2	100.4	100.7	1,601	69.0
March	194.5	128.2	149.7	100.6	100.7	1,539	71.9
April	195.9	128.4	150.5	101.8	101.6	1,554	72.4
May	198.1	128.0	151.1	101.9	102.2	1,612	73.2
June		129.2	151.2	101.9	101.6	1,629	72.6

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.

N M Rothschild to enter personal pensions market

BY ERIC SHORT

N. M. ROTHSCHILD, Asset Management, the retail investment arm of N. M. Rothschild, the merchant banking group, yesterday announced its intention to become a leading provider of personal pensions from next January. It is one of the first non-insurance financial institutions to announce entry to the field.

The 1986 Social Security Act not only introduced the concept of employees making their own pension arrangements through a personal pension but also ended the near-monopoly of life companies in providing pensions to individuals.

When the new pension environment comes into operation next year, banks, building societies and unit-trust groups as well as life companies can market the main savings element in pension provision.

However, while many life companies have been vocal in announcing details of their strategy in the new environment there has been almost total silence from the new players.

One or two leading building societies have given vague indications of intentions. However, N. M. Rothschild is the first big institution to give a full commitment.

Mr Graham Barker, a director of Rothschild Asset Management, said introduction of personal pensions provided an outstanding opportunity for personal financial planning and an attractive new business area.

The company has been offering unit trusts to the public for some time and will model its pension products on the style of its unit trusts—low charges and flexible payments together with no transfer penalties.

Rothschild Asset Management will also be offering other pension products, such as free-standing Additional Voluntary Contributions, executive and company money purchase pensions.

It will market through intermediaries such as accountants, solicitors and pension consultants, who are not driven by commission, because it will only pay the usual unit trust 3 per cent commission on each contribution.

Mr Barker emphasised that the emphasis will be on value for money for investors.

Rothschild Asset Management is assembling a specialist team to handle the complex administrative procedures and back-up systems required by pensions products, an area completely new to the company.

Life companies urged to revise AIDS questions

BY ERIC SHORT

THE Association of British Insurers, the main trade association of insurance companies, is recommending to its member life companies that they revise the question on proposal forms relating to AIDS.

The proposed question would have two parts. The first asks whether the person being proposed for life assurance has been medically advised about AIDS or any sexually transmitted disease.

The second part asks the proposed person whether he or she has had an AIDS-blood test and if so to give details, dates and results.

Those questions replace the previous one that asked whether the proposed person had received medical advice or treatment or had a blood test in connection with AIDS or an AIDS-related condition.

That move by the association reflects the growing concern among life companies of the impact a series of AIDS-related death claims would have and the need for more stringent underwriting.

It has been found that the previous question was insufficient to identify potential high-risk AIDS groups and needed to be more precisely worded.

But, even more important, the revised question had been necessary because of the growin antipathy between the medical profession and the life assurance industry over doctors' revealing patients' medical details to life companies.

Normally, the life company would ask the proposed person's doctor for details of blood tests in a medical attendant's report. However, the British Medical Association has told doctors to show a patient answers to any report to life companies and not to send it on without the patient's permission. But many doctors are refusing to give details on AIDS or AIDS-related investigations on patients.

Michael Donne charts alternative strategies for smaller carriers to combat the proposed BA/BCal merger

Independents open throttle for mega-airline dog-fight

AS SIR Gordon Borrie, Director General of Fair Trading, began analysing the proposed British Airways takeover of British Caledonian over the past few days, there have been suggestions that one or more of the remaining independent airlines might be prepared to make an alternative bid for BCal.

The aim would be to prevent the emergence of a UK mega-carrier able to compete with the emerging giants of the US airline industry or anything that might appear in Western Europe.

Air Europe, led by Mr Harry Goodman's International Leisure Group, has already proposed buying BCal's European short-haul international routes for about £50m, although a detailed formal offer has yet to be submitted.

It has been suggested that groups of independent airlines might emerge, with British Midland Airways, under Mr Michael Bishop, cited as a possible leader.

Mr Goodman makes no secret of his interest in taking over BCal's European routes but is frustrated by BA's determination to retain the routes and operate them as part of the combined BA-BCal operation.

Mr Bishop says that, while approaches have been made to British Midland, nothing has been agreed and everything must await the outcome of a reference of the proposed BA/BCal merger to the Monopolies and Mergers Commission.

The reason is that if the commission ruled against such a merger, BCal might have to look for another partner, at home or overseas, to improve its market strength in the future. That would ease the formation of a new group of independents.

If the commission found in favour of a BA/BCal merger, however, the independents would be forced to consider some kind of link between themselves to protect their own position.

There is no doubt that some of the bigger independent airlines would be perfectly capable of launching some kind of bid, either alone or with City support.

Some independents are supported by big, profitable groups—Britannia by the Thomson Organisation, Air Europe by the International Leisure Group. Others, such as British Midland, have been sufficiently successful to be able to call upon outside investors, or other independent airlines, to mount an alternative offer.

Most of the independents are anxious for a referral of the proposed merger. It raises many issues that require unequivocal answers before anyone is likely to risk money in developing a significant independent body to fill the gap left by BCal's entry into the BA fold.

They include revisions to the Government's competition policy to allow independent airlines to compete against the more powerful BA, and guarantees on airports policy and traffic distribution in the London area to prevent BA/BCal from dominating Gatwick and Heathrow and squeezing out smaller operators.

Although there is a comparatively large independent airline industry, even without BCal, it is highly fragmented, with a handful of large operators—such as Air Europe, Britannia, British Midland, Dan-Air, Monarch and Orion—and many much smaller carriers with limited financial resources.

Civil Aviation Authority statistics for 1986 show that the UK has 52 airlines of all kinds, from the biggest, BA, to the smallest helicopter operator.

Those airlines carried in all more than 45.2m passengers last year. Just over 25m of them were carried on scheduled flights (15.92m on international scheduled services and just over 9m on domestic scheduled services), and 20.2m were on non-scheduled services such as charter operations.

Britannia Airways, the second largest airline in the UK, is primarily a charter operator, although it is moving increasingly into scheduled operations. Air Europe is also primarily a charter airline but has a short-haul European international scheduled route network that is soon to be expanded.

Charter airlines want in part to start some scheduled operations because traffic has grown on some original charter routes to the point where a fully fledged scheduled operation has become financially justifiable.

But they also want to pick up the bigger traffic volumes, on the short-haul scheduled routes in Europe dominated for years by the bigger scheduled carriers such as BA and BCal. Those routes would produce increased revenues and, the charter airlines hope, fatter profits. Air Europe's European route plans are in that category.

Significantly, apart from BCal, Virgin Atlantic and the recently formed Highland Express, no other independents are involved in long-haul scheduled flights, largely because of the heavy start-up costs, and the political difficulties of winning reciprocal approvals from the foreign governments concerned—as BCal found in launching a service recently to Tokyo.

It is clear, however, that nearly half the total UK air transport output is unlikely to be significantly affected by any merger between BA and BCal.

Even allowing that the combined non-scheduled activities of the two amount to some 3.1m passengers, that is a comparatively small proportion of the industry's total, and is less than Britannia's non-scheduled traffic of some 5.4m and Dan-Air's 3.9m.

Measuring the financial strength of the air transport industry is more difficult, because full accounts are not available for many operators beyond the end of 1985.

The Civil Aviation Authority's statistics show that the total assets employed in the UK industry amounted to just over £1.54bn in 1985, with some £654.6m accounted for by the "private" sector, comprising the independent airlines (including British Caledonian), and the rest by British Airways, which was then still state-owned.

For that year, the operating profit of the independents was £54.2m, or 8.3 per cent of the assets employed, against BA's £204.5m, representing 23 per cent of assets employed.

Although much smaller than BA, the independents still appear to be strong enough to mount some kind of counter-offer for B-Cal, especially if led by a big operator such as British Midland or Air Europe, or to form some group of their own.

By far the biggest difficulty would be finding enough independents to agree on such a move, for they are far too vigorously individual and fragmented in outlook and much too competitive among themselves to be prepared to sink their individual identities into a single group.

By far the most likely outcome would be for one big independent, such as Air Europe or British Midland, to bring together a team of outside investors to support a bid.

TOP UK AIRLINES (1986)

	Output in available tonne-km. (millions)†	% of all UK available tonne-km.	Passengers (000s)* Scheduled	Non-scheduled	Total
British Airways	8,122	56.77	16,960	445	17,405
British Caledonian	1,942	13.58	2,354	1	2,355
Britannia	959	6.70	57	5,397	5,454
Dan Air	728	5.09	1,080	3,938	5,018
British Airtours	468	3.27	—	2,212	2,212
Monarch	396	2.77	9	1,971	1,980
Virgin Atlantic	316	2.21	290	7	297
Orion	262	1.83	19	1,340	1,359
Air Europe	261	1.82	100	1,054	1,154
Cal Air International	211	1.47	—	959	959
British Midland	132	0.92	1,553	48	1,601
British Island	90	0.63	—	651	651
Air UK	63	0.44	859	5	864

† Available tonne-kilometres (1 tonne of payload carried for 1 km) are the basic measurement of air transport output.

* Rounded to nearest 1,000.

Source: Civil Aviation Authority Annual Statistics 1986

Suitors argue against referral

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS and British Caledonian believe strongly that their proposed merger will have little change on the present competitive position among UK airlines, and should be allowed to go through without referral to the Monopolies Commission.

The two airlines made clear yesterday that with 50 per cent of the current BCal business being carried on routes not already covered by British Airways, and even the other 50 per cent being carried from a different "catchment area"—Gatwick as opposed to Heathrow—the impact on other airlines would be far less than has been claimed.

They said that because the two airlines were primarily involved in scheduled operations, rather than charters, there would be a minimal effect on the overall UK airlines' charter situation.

Both BA and BCal were at pains to emphasise that the merger was not designed to attack other UK airlines, but to strengthen their own position against the increasing competition from US airlines.

BA and BCal argued that there would still be considerable opportunities for other UK airlines from Gatwick to such cities as Los Angeles, New York and the Gulf.

Health authorities call for resources

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

HEALTH AUTHORITY leaders yesterday urged the Government to respond to the National Health Service's recent record of efficiency improvements by granting it more resources.

The National Association of Health Authorities — members of which control more than 70 per cent of NHS expenditure—said some of the most efficient authorities were having to restrict the number of patients they treated to avoid overspending.

The association says in its 1987 NHS Economic Review: "Quite clearly, if additional government expenditure is not forthcoming, many authorities will find intolerable the sometimes contradictory goals of expanding services through value-for-money developments and staying within cash limits."

The association says that although health authorities were using their resources more efficiently by reducing their costs per case, the expansion of services and an increase in the number of cases had added to total expenditure.

Some authorities that wished to reduce waiting lists, and could do so cost-efficiently, had not increased their activity because of cash-limit constraints.

"In some health authorities it is the success of treating more patients at a lower cost per patient that has made it difficult for them to remain within their cash limits. It is time that the enhanced efficiency of the NHS should be rewarded by a level of funding which corresponds with the demands being made upon it."

APPOINTMENTS

Dunlop operations director

Mr Malcolm Langley has been appointed director of operations of DUNLOP aviation division at Coventry. Prior to joining Dunlop he was associate director—manufacturing at Bendix.

★

Mr Bruce Purgavie has been appointed to the newly created post of director of sales and marketing of H. J. HEINZ COMPANY effective August 1. Mr Purgavie joined Heinz in 1959 and held a number of senior sales and marketing management posts in the UK company before becoming trade operations director in 1984. The appointment follows the resignation of Mr Matthew McBride who has directed Heinz UK's marketing activities since 1984.

★

Mr Peter Graham William Simmonds, group managing director of Pauls, has been appointed a director of HARRISONS & CROSFIELD from August 1.

★

Mr Peter Franklin, Mr Graham Stevens, Mr Vincent Talbot and Mr Raymond Williams have joined BREWIN DOLPHIN & CO as associated members.

★

JANSA—the Professional Association of Hygiene and Cleaning Suppliers—has appointed Mr Hugh Pycroft as its new chairman. He succeeds Mr John Brown who retires after a two-and-a-half year term of office.

★

Mr Michael S. Hardie, a director, who, until recently, was director and general manager (investments) of Friends Provident Life Office, has ben elected chairman of SHIRES INVESTMENT.

★

At EVODE GROUP Mr Nigel Crouch has joined the board. The appointment is in addition to Mr Crouch's current position as managing director of Evode's adhesive and sealants division. Following the sale by Evode of its roofing and insulation division, Mr Anthony Cobbold has resigned from the board.

★

RENTOKIL GROUP has appointed Mr Bron Gorny managing director of Property Care from August 1. He was chief executive of Sterling Health in the UK.

★

At CHARLES CLINKARD, Mr William Spicer has become non-executive chairman. He will continue in a full time capacity as Finance Director of Vallances.

★

Mr Nigel Litherland has been appointed director of European sales by SIMON-GALA (a Simon Engineering company). He was sales director of Harrison Access.

★

Mr Ben Taylor has become a Director of RENISHAW. He continues as President of the Group subsidiary company in the US. Renishaw Inc., a position he has held since joining the Group in 1985. Mr Mike Milligan has been made Managing Director of Renishaw-Mae.

★

Brigadier H. R. Dray, hall director of Earls Court, has been appointed to the main EARLS COURT AND OLYMPIA board from August 1.

★

At COPTHORNE HOTELS Mr Peter Bralach, vice president development, will also now assume the role of vice president marketing.

★

The PENNY & GILES BLACKWOOD GROUP has appointed four directors in its subsidiary companies. Mr Fred Howse and Mr Keith Hillman join the board of Penny & Giles Conductive Plastics. Mr Peter Kirby becomes manufacturing director of Penny & Giles Studio Equipment. Mr Neil Parke is appointed manufacturing director of Penny & Giles Inductive Technology.

★

GEORGE H. SCHOLES has appointed Mr W. J. Riches to the board as financial director. He became group accountant in 1979 and company secretary in 1983. He retains the position of company secretary.

★

Mr A. R. Milford has been appointed investment director at FRAMLINGTON GROUP. Mr J. A. W. Smith has been appointed finance director. Mr D. R. Clarke and Mr P. W. Loach are also appointed to the board.

★

Mr Jonathan Carr has joined the board of SOUTHERN HEMISPHERE WINES. He is managing director of Wines By Appointment.

★

CHESHIRE WHOLEFOODS has appointed Mr David Guest as finance director. He was previously financial controller. He succeeds Mr Richard Pugh, who acted as part-time finance director.

★

Mr Peter Heath has been appointed managing director of CLEANAWAY a joint enterprise of GKN and Brambles Industries of Australia. For the past 18 months he has been director of the waste services division, responsible for the dry waste collection activities of the company.

TECHNOLOGY

EUROPEAN RESEARCH COLLABORATIONS

When there is no such thing as too many cooks

By David Fishlock, Science Editor

YOU ARE a don, anywhere in the world, and you have a bright idea for research that requires gold, platinum, or one of the really expensive precious metals. Make a good case and Johnson Matthey may invite you to join the select club of scientists who have borrowed enough precious metal to get research projects started.

The company expects its gold back, and gets it "usually," says Garry Acres, Johnson Matthey's technology planning director. Far more significantly, its loan scheme has proved a unique way of winning the confidence of university scientists worldwide, and giving the company early clues to new ideas and technologies.

In the mid-1960s Johnson Matthey louned platinum to an American electrochemist at Michigan State University launching a long trail of inquiry which has put the company on the fringe of the pharmaceuticals industry. From an observation that a complex compound caused tumours to shrink has come the world's best-selling anti-cancer drug, says Acres. It earns over £1m a year for Johnson Matthey, which supplies the compound to Bristol-Myers as the precursor from which the drug is formulated.

Johnson Matthey's way to the hearts and minds of university scientists emerged at the annual conference of the European Industrial Research Managers Association (EIRMA), a Paris-based club of top executives from 160 of Europe's research-based companies. They met in Copenhagen to discuss the new fashion for co-operation in industrial research: "One of the greatest achievements and challenges of the 1980s," according to Sir Robin Nicholson, executive director of Pilkington, the UK glass group, and former chief scientific adviser to the British Government.

Such a meeting could not have happened a decade ago—there would not have been enough to discuss.

So why are businesses collaborating in research nowadays? Two overriding pressures oblige companies to seek help in research activities they once kept jealously to themselves, Sir Robin says. One is the way technologies are "converging," so that many companies which once saw themselves as specialising in a single activity now find they need to muster a whole spectrum of sciences to make any progress.

He gives as an example a maker of internal combustion engines, which once saw itself simply as a mechanical engineering company. To survive nowadays it must be versed in technologies as diverse as advanced materials, combustion theory, and advanced manufacturing technology.

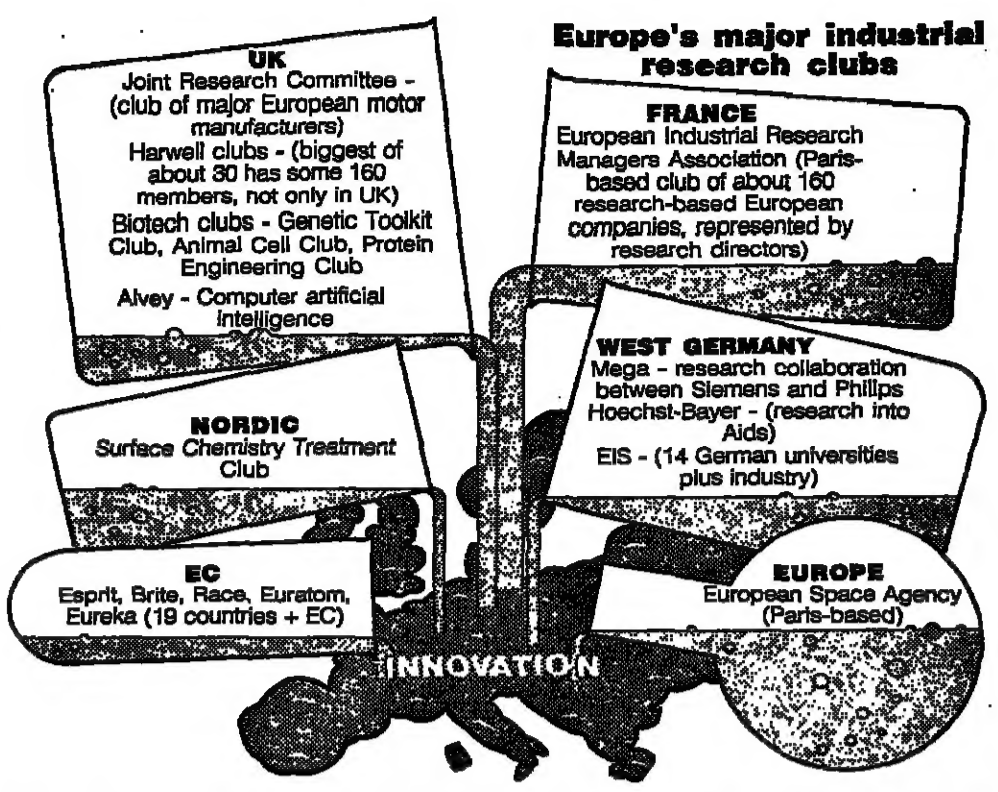
The second big pressure to collaborate comes from shrinking product life cycles. A manufacturer can no longer count on a market lasting 10 years for an innovative new product. The company may not be able to count on one year before a second-generation product — someone else's, if it is unlucky—moves in to capture the market. This has driven the cost and risk of research up rapidly. A company can face dire consequences if a research programme should fail, leaving a "generation gap" in its catalogue.

How companies are co-operating today—the basic rules for success, and warnings of the pitfalls—was the aim of the EIRMA meeting. In working groups for the past two years club members have been collating experience on the pressures driving erstwhile rivals into research alliances, and which also are opening golden opportunities for academic and other research centres to win industrial support for creative science.

Just how deeply such a partnership can penetrate corporate strategy is perhaps best illustrated by Mega, the German-Dutch joint research venture uniting Siemens and Philips in the development of megabit (125,000 characters of memory) silicon chips.

The partners have committed 2,000 man-hours and Ecu 475m (about £333m) to a five-year research programme, with the European Community adding another Ecu 200m (£140m). Research is distributed between the partners' main research centres in Munich and Eindhoven. A Philips executive suggests Mega will grow into a wider European industrial collaboration along the lines of the Airbus Industrie project.

Behind Mega in Germany stands EIS, a collaboration between industry and 14 German universities — 40 professors—in the development and design of very large scale integration (VLSI) chips. Siemens itself has played a leading role in EIS.



It was an Italian initiative that launched one of Europe's first research clubs, the Joint Research Committee, in which the continent's bigger motor manufacturers came together in 1981 to mount a "pre-competitive research" programme into common problems requiring a wider scientific vision than the industry was accustomed to.

Fiat was "product champion" from the start. But its initiative was inspired by an earlier research club organised by Britain's Harwell laboratory, to apply its highly revealing laser technology — originally developed for studying nuclear reactions—to conditions under an engine's cylinder head. For the first time, engine-makers found they could watch the process of combustion.

Fiat's enthusiasm induced all the leading European car makers — including Volvo, Peugeot, BL and Mercedes—to join the Joint Research Committee. The club, with a budget of about $5m a year, spent mainly in universities, is unashamedly part of the industry's effort to retain markets in the face of non-European competition.

For Harwell, it has had a satisfying sequel. Last year the club placed a substantial research contract for a robotic paint sprayer which can "feel" when it is putting on too much paint and thus avoids the paint running. The idea is that this robot will continuously appraise its own work.

European steelmakers are following the lead of the car makers. They have formed a research club to combat the encroachment of aluminium upon their traditional markets, such as "tin cans" in packaging.

"Clubs for work, not port and cigars," is how one report summarised Harwell's own efforts to establish research collaborations with industry. Its research clubs are small compared with the Japanese initiatives in silicon chips and artificial intelligence (the ability of computers to make human-like judgments). It was those Japanese clubs which alerted the western world to the strategic value of research co-operation.

Unlike more traditional clubs, members are united by a problem rather than a profession or pastime. They are created pragmatically when a good opportunity involving three or more companies emerges, says Ron Sowden, Harwell's commercial director. One, in heat transfer, has about 160 members.

Currently, Harwell runs about 30 clubs. They are hard to get started because of the amount of executive time it takes to find common ground for research and to avoid such pitfalls as settling for the lowest common denominator, such as the least risky or quickest goal.

Perhaps for that reason, says Sowden, there has not been a failure; although clubs have faded away when their mission succeeded and the new technology has been transferred to the members.

Harwell says it had difficulties persuading the British Government that research clubs should admit companies and academies from overseas. The Department of Trade and Industry tried to withhold financial support for clubs that recruited overseas members. But the DTI capitulated when Harwell pointed out that thereby it was excluding itself from access to the new technology such clubs generate.

Hoechst, the West German chemicals giant, claims that a collaboration with Erlangen University in painkilling drugs over 100 years ago was the start of its huge pharmaceutical business. Today it has 250 collaborations with academic scientists worldwide, including a $50m contract in genetic engineering with the Massachusetts General Hospital in Boston.

It is also involved in about 100 co-operative research contracts with other companies, from its 25-year-old association with the Celanese Corporation of the US to a new collaboration on AIDS research with Bayer. One of Hoechst's latest ventures is taking it into an entirely new market sector — high-performance ceramics.

Piet Kramer, a senior Philips research executive, highlights the ironies of such associations. "Why share secrets with the enemy?" he asks. His company does research and development (R and D) "to make others dependent on us and to make us independent," he says.

Nevertheless, Philips has 10 research-based joint ventures with other companies, including AT & T of the US in public telecommunications, and Du Pont in optical media such as compact discs. Provided the joint venture contributes to Philips' corporate research effort, it is treated like a wholly-owned subsidiary, says Kramer. "We will treat them as a member of the family." And that means accepting the risk that family secrets may leak.

Leaking secrets do not seem to loom large as a potential pitfall of research collaboration. Bigger worries are whether, for instance, equitable relations can be established between big multinationals and small science-based companies with bright ideas. Will the small partner simply get eaten? Is the academic at risk of being seduced from science and uncovering new knowledge, to tackle workaday problems?

An EIRMA study of research co-operation among members suggests that success depends most crucially on relations between individuals, rather than board decisions. It matters not for example, that Genentech —the high-flying Californian biotechnology research company—should appear "amorphous," having no formal organisational chart, says Klaus von Berlepsch, a senior Hoffman-La Roche research executive. Roche, the Swiss chemicals group and Genentech's highly disparate organisations collaborate through people who want to solve problems, and who understand the idiosyncrasies of their parent companies. "It is not enough for presidents to agree, says von Berlepsch.

For Europe, the dominant incentive must be productivity. Europe is doing twice as much research as Japan and getting half the results, says Harry Beckers, research co-ordinator at Royal Dutch-Shell. Europe has too much duplication of research—big companies with "exactly the same programmes," he says.

Both the US and Japan have been better than Europe at recognising the leading role of technology in industry's progress, says Sir Robin Nicholson of Pilkington. And both, in different ways, have been better at adapting their industrial structures to the technological age than Europe, where politicians have been reluctant to accept the loss of traditional markets.

The US has changed by a combination of the Darwinian principle of survival of the fittest and the emergence of thrusting new companies. Japan has found "a unique substitute for Charles Darwin" in the shape of Miti (Ministry for International Trade and Industry), says Sir Robin.

Europe should not see its new-found enthusiasm for research collaboration as anti-American or anti-Japanese, but as pro-European, Sir Robin believes. Clubs should not deny US or Japanese participation. But first and foremost, such clubs should be based on a strong European structure and natural allies, not forced marriages of reluctant partners.

How the swimming saboteur can be sounded out

By Geoffrey Charlish

PLESSEY, THE major UK electronics group, has devised sonar systems that can provide protection against the sabotage of harbours, offshore oil rigs, shore-based nuclear power stations and similar installations vulnerable to covert attack from determined groups or individuals

Its Swimmer Detection Sonar is claimed to be more sensitive than any other known system and is fully automatic. The system sends out a high-definition scanning beam of sonar energy, that is, sound waves of frequencies above human audibility, which are reflected from objects in the water to give range and bearing data after electronic processing.

When an object is detected, an alarm is triggered and unskilled operators can then interrogate the system and quickly identify the type of intrusion. Swimmers can be rapidly located while harmless water-borne debris is automatically removed from the system's screen display.

UK chips in line with ISDN

STC, THE UK telecommunications and computing group, has collaborated with VLSI Technology of Milton Keynes to develop a set of "chips" which will reduce the size, complexity and cost of new breeds of equipment now being designed for ISDN (integrated services digital network). ISDN will allow all kinds of information (text, data, images) to be sent over the world's phone networks to agreed standards.

Contracts and Tenders

Photocopiers

Why Oce avoids getting in a jam

Jane Rippeteau on the Dutch group's latest strategy

WHAT DOES the Volkswagen Beetle have in common with a photocopier? Very little, it would seem. The former is a modern symbol of reliability. The latter, with chronic paper jams and bad copy quality, is perhaps the most aggravating piece of equipment in today's office.

Now a quiet Dutch company wants to make its photocopier products synonymous with the image of the VW Beetle. Fixing on what most office workers already know—that they just want the copier to work—Oce-Van der Grinten made the reliable Beetle the star of press advertisements in the UK intended to boost both sales and its corporate profile.

Oce (pronounced oh-say) is faced with intense competition in a maturing market sector. With a new chairman, accelerated research and development spending, an expanding US marketing drive and new product plans, the company is out to tone up its image.

For years, Oce has seemed as predictable as the flat wet Limburg countryside around its Venlo headquarters in the south of the Netherlands. It has a one-fifth share of the world market for big diazo and plain paper copiers used by architectural and engineering firms. Most of the remaining 56 per cent of its $850m in 1986 sales rolled in from its tiny share of the $32bn world office copier market (including sales, rentals, service and supplies).

But although tiny compared with market giants Canon and Xerox, Oce maintains a profitable share of copier sales by providing corporate customers with economical workhorse machines that it promises will not break down.

Critics say Oce's boxy copiers lack style. They point out that the company is either late with or lacking such features as automatic stapling or two-sided copying. But Oce goes right on concentrating on its "strong silent type" machines.

"They build solid, durable tanks. They are not selling features. They sell reliability," says Monica David, an industry analyst with the US market research firm Dataquest.

In its new ad campaign in Europe and the US, Oce has decided to promise the world that its machines will run 95 per cent of the time, or the world will get its money back. "Imagine making 9m copies in a row without ever having to clear an internal paper jam?" the ad reads.

That strikes home to many office workers, who cannot imagine making even two copies without the machine jamming.

Whether Oce's machines actually do outperform competitors in its sector of the market is debatable. The industry publication What to Buy gives Kodak top billing in a recent "giant copier" survey, and notes that Xerox, with its quality and breadth of products, remains the sector's dominant force. It does, though, laud Oce for the "dependability and economy" of its "somewhat spartan" designs.

In April, Oce fired its advertising agency and signed on one with which its US subsidiary had already worked, Anderson & Lembke. Oce convinced account manager Kate Dhein to move from Connecticut and set up shop in London, and backed the effort with a 30 per cent increase in its advertising budget to include a big market analysis.

"We found that the number one buyer concern was reliability," recalls Dhein. "People just want to be able to walk up to the machine and know it is not going to jam and they are going to get a clear crisp clean copy."

Oce's ad trumpets reliability, and stresses proprietary technology—a special toner, and a design which reduces the risk of jams by bringing the copy to the paper rather than circulating the paper through the machine as happens in competing designs. Oce says it locks its machines shut on delivery. According to J. V. H. (Harry) Pennings, an Oce director, the company only had to pay $32,000 in refunds last year.

The campaign is doing wonders for Oce's market share, claims Richard Van Buuren, international advertising and sales promotion manager. He says Oce's US company received nearly three times as many inquiries as expected in the first five months, and that it has already placed 50 machines as a result of the campaign. That's just "the tip of the iceberg", he maintains, since most deals take about three months to conclude.

"Oce has been very successful," says Charles Pesko, president of CAP International, a US market research company. "They are taking share from Kodak and Xerox."

Henk Bodt, a former Philips top manager, who joined Oce in 1985 and took over as chairman in April this year, will not specify by how much his 2 per cent US market share his risen. Half year results announced earlier this month show overall copier sales up by 14 per cent, if foreign exchange fluctuation is excluded, but the company will not disclose growth for its US, UK and other target markets.

Bodt does say he believes Oce copier sales are now growing at 10 per cent annually. This is twice the rate for its market sector, ie machines that can churn out from 60 to 100 or more copies a minute.

Ever cautious, Oce took four years to creep across the US with its copiers, opening up branch after branch and reaching the west coast only in May. The company diligently trained staff and built its own direct sales organisation to control its service standards. "Oce took an unusual position in that most suppliers sign up distribution partners," says Pesko. According to Oce's Pennings, another 45 US offices are planned.

In the service-intensive, high-speed upper end, both Xerox and Kodak sell faster machines which produce up to 120 copies per minute and are loaded with features. Oce executives acknowledge a need for more advanced products. Penning says that early next year the company will unveil new machines which will produce up to 100 copies a minute and have extra features.

In the sector where unit shipments are lower but price-tags higher Oce claims a 10 per cent share in its principal market, Western Europe. The company does not manufacture for the faster-growing lower end of the market controlled by Canon and other Japanese suppliers, but does market a low-end copier made by Mita of Japan.

Oce's focus in new product development is to remain at the high end, and to continue to move into office automation (along with all of its competitors). The company began over three years ago to develop a laser printer, which is now on sale in seven countries. A US debut is not planned until 1989.

Bodt concedes that until fairly recently the company's research and development spending "was on the low side," but has risen to 6.5 per cent of sales from 4.8 per cent in 1984, with a big surge in software development.

But the increase is not targeted for engineering more razzle-dazzle into machines. "The driving force," he says, "is on getting technology that is foolproof, sturdy and easy. We want no-nonsense, and no frills. This is our niche."

Ballet hoo-ha

The National Ballet of Canada's visit to London last month was the first for eight years. It was a big occasion for the dance world—and also for business. The six performances were converted into marketing events, each one sponsored, each one a delicate marriage of art and Mammon.

It had to be. The whole venture would have been too costly even to contemplate without sponsorship. The box office had been good—bringing in £100,000 before the performances began; the Province of Ontario weighed in with $100,000. But the gel was the £120,000 put up by sponsors.

What made it unusual was that all were getting something slightly different from their investment. For Book Club Associates, which took the entire house for the Saturday matinée, it was a loyalty incentive for its members.

For ManuLife, which supported the opening night, it was a prestige event to celebrate its centenary, an opportunity to sprinkle goodwill. For Wood Gundy and Canada Maritime it was very much the chance to entertain a few key customers and contacts in urbane surroundings. For British Alcan and Jaguar Cars it was a promotion for its local managers, packaged and sold to them from Head Office with the aim of forging links among csutomers in the regions—in effect an entertainment group facility, offered for a fee.

The sponsors also spent a further £100,000 plus between them on buying tickets and on parties. All the deals were put together by Belle Shenkman.

Antony Thorncroft

Laura Ashley makes a happy marriage

LAURA ASHLEY, the British fashion and furnishings group, set up a retail pilot store in Tokyo's Ginza district in February 1985. It became profitable within a year. Now, together with its Japanese partner, the group is planning to open some 30 stores in the country over the next three years.

But this success belies the struggle—lasting 16 years—the company has had to become established in Japan. The Laura Ashley formula of soft fashion and tasteful interior design has long appeared to many, including some big Japanese department store groups, to be a sure winner among the increasingly affluent and style-conscious Japanese. So why has it taken so long to get off the ground?

The answer, according to managing director John James, is contained in that perennial problem associated with entering the Japanese market — picking the right partner and dealing wisely with it. In some cases, Western companies can be too brash; they insist on having their own way and ignore the advice of their partners. In Laura Ashley's case, it seems the British company was too shy.

The company's success in the UK and the US has been built on the establishment of speciality shops in upmarket shopping areas, and it now looks as if the same formula is working in Japan. However, in 1971, when the group first looked into the Japanese market it was advised to enter a joint venture with a Japanese manufacturer which would then distribute the Ashley lines to appropriate shops and department stores.

The company followed this advice, but nothing much happened. "Their sales power was not that good," James says of his former partner. In the early 1980s, Ashley became restless, and began studying ways of setting up its own retail shops. There were discussions with a big trading company.

Then the huge Seibu department store group tried to woo Ashley to sign a store-within-a-store deal. But the British group demurred, finally reaching an agreement with Jusco, one of Japan's leading chain store groups, in 1985, to test the idea of a Laura Ashley speciality shop.

The first was set up in Ginza, and was an immediate success. Two more have been opened, one in Nagoya and another in suburban Tokyo, with at least two more to come by the end of this year. The group reported the sales of its Japan associate at Y291m (£1.2m) in the year to January 31 of this year, and profits equivalent to £174,000. Profits are expected to be depressed for some years because of shop opening costs.

Ashley officials do not find the Japanese market that different from others. They believe that the key to their success is having design experts on the ground who sense the colours that are going to be popular.

The customer profile is similar to that in the UK and the US, though slightly older—between 25 and 35. Also, the furnishings division remains underdeveloped in Japan. "There are not a lot of walls to cover," he says in a reference to the small area of most Japanese homes. However, the company has high hopes for the medium term, as the Japanese build bigger houses and become more interested in western style interior design.

With Ashley providing all the products and management skill for its Japanese operation, the question arises as to why there should be a joint venture at all. James has no regrets. Jusco provides two vital services for the venture, he says: an established system for processing imports and an ear to Japan's jungle telegraph on commercial property. "In this country, finding shop sites is not just a matter of going to the local estate agent," he says.

Ian Rodger

Legal Notices

UNITED STATES BANKRUPTCY COURT
DISTRICT OF COLORADO

In re:
STORAGE TECHNOLOGY CORPORATION, and affiliated companies,
Debtors.

Chapter 11
Case No. 84-B-5577-J (Joint Administration Case Nos. 84-B-5577-J through 84-B-5580-J, inclusive, and 84-B-5512-J)

In re:
STORAGE TECHNOLOGY LEASING CORPORATION, et al.,
Debtors.

Chapter 11
Case No. 86-B-04222-J (Joint Administration Case Nos. 86-B-04222-J through 86-B-04234-J)

NOTICE OF (1) CONFIRMATION OF PLAN OF REORGANIZATION; (2) EFFECTIVE DATE OF PLAN; (3) DISCHARGE AND INJUNCTIONS WITH RESPECT THERETO; AND (4) DEADLINE FOR FILING ADMINISTRATIVE CLAIMS

TO ALL CREDITORS AND OTHER PARTIES IN INTEREST:

Confirmation of Plan

1. On June 18, 1987, the Honorable Roland J. Brumbaugh, United States Bankruptcy Judge, entered his order (the "Confirmation Order") confirming the "DEBTORS' JOINT PLAN OF REORGANIZATION," as modified (the "Plan"). On July 16, 1987, the Judge entered his Order approving certain technical modifications to the Plan and reconfirming the Plan as so modified, retroactive to June 18, 1987. These Orders have become final, and the Plan became effective on July 28, 1987.

2. As of July 28, 1987, each and all of the Debtors were revested with all of their respective assets, free and clear of any and all claims, liens, charges or encumbrances arising prior to June 18, 1987, except (a) liens, or encumbrances which were validly created subsequent to the filing of the petitions commencing the chapter 11 cases and (b) the liens and encumbrances securing Class 2A Allowed Claims or Class 2B Allowed Claims under the Plan. Each of the Debtors now operates its businesses free of any jurisdiction of the Bankruptcy Court.

3. Except as expressly otherwise provided for in the Plan, the Confirmation Order, or in other orders entered by the Bankruptcy Court, each of the Debtors has been discharged from any claim that arose prior to entry of the Confirmation Order and any debt of a kind specified in §502 (g), (h), or (i) of the Bankruptcy Code, whether or not a proof of claim was filed or deemed filed under §§ 501 or 1111(a) of the Bankruptcy Code, whether or not such claim is allowed in any of the chapter 11 cases, whether or not the holder of such claim has accepted the Plan, or whether or not such claim is known, unknown, fixed, contingent, [illegible], or unliquidated.

4. The Confirmation Order enjoins the commencement or continuation of any action, the employment of any process, and the doing of any act to collect, recover or offset any debt discharged thereby as a personal liability of any of the Debtors, or from property of any of the Debtors.

5. Actual distributions to creditors holding allowed claims entitled to participate in the Plan are expected to commence on or before August 31, 1987. Initial distribution will be made based upon record holdings of allowed claims as of July 6, 1987.

Deadline For Filing Administrative Claims

6. All requests for the payment of administrative expenses pursuant to §507(a) (1) of the Bankruptcy Code, including, without limitation, all applications for compensation of professional persons for services rendered on or before July 31, 1987, and any requests for reimbursement under the Bankruptcy Code §503(b), must be filed with the Bankruptcy Court on or before August 31, 1987, unless extended by order of the Bankruptcy Court.

7. All requests for the payment of administrative expenses must also be served no later than the close of business on August 31, 1987, on those entities designated to receive copies of quarterly fee applications under the prior orders of the Bankruptcy Court establishing the interim compensation procedures heretofore followed in these chapter 11 cases. For further information concerning the proper filing and service of an administrative request, please contact any of Debtors' counsel whose name appears below.

DATED: July 30, 1987

By ______________________

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Attorneys for Debtors

N&S
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Northern & Shell p.l.c.

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We are looking for a self-motivated person, prepared to inject whatever is required of him. The rewards are share options, company car, etc, etc. This is the opportunity the right man has been waiting for.

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Firth Ross Martin

THE ARTS

Kirov Opera/Covent Garden

Max Loppert

Russian ballet companies have visited London more than once, but the Kirov, great artistic institution of Leningrad, is the first to send us a Russian opera company. The Covent Garden Kirov season (July 28-August 8) contains the three great Russian operas written to (or after) texts by Pushkin—*Queen of Spades, Onegin* and *Boris Godunov*. (Later in August Manchester and Birmingham each taste two of the three productions.) Yury Temirkanov, Kirov artistic director and chief conductor, is also the producer of all the operas, a feat unfamiliar (if not unknown) in Western operatic annals. The first Kirov performance, on Tuesday, was of *Queen of Spades*—greeted during and after its course with immense enthusiasm.

And not undeservedly so: as a company achievement in a style of opera staging currently unfashionable hereabouts, it had to be reckoned a grand and also powerful experience, focused on the music and the singers rather than on any ruling production "concept." If this suggests disadvantages as well as the opposite, that is now inevitable. The most recent performances in London of Chaikovsky's glittering, turbulent, lyrically fraught masterpiece have been those at the Coliseum of David Pountney's dream-world psychodrama, a "partial" (and in its way frustratingly unsatisfying) vision of the opera that has proved very hard to dislodge from the memory.

The Kirov production plays the text as written (and plays every note and word of it, including the complete Act 2 pastorale). The balance between grand St Petersburg opulence of style, idealised 18th century elegance, and dark romantic passion is attempted by the fulfilment of each aspect according to the letter, and by the delivery of the music in a spirit of heartfelt commitment and fervour.

The pitfalls come in the settings (by the company's chief designer, Igor Ivanov) — at once large-scale in size and detail and conventional, predictably, at times boringly so. This affects the early scenes, which also suffer from choral line-up-and-deliver, more seriously than it does the latter, in which Ivanov's perspectives develop at last a certain feeling for hallucinatory slants and curves, picked up and seconded by the production (the gaming finale is excitingly shaped and, by the male chorus, quite brilliantly sung). In general, though, too much of the "public" side of the opera — every bit as important as the "private" — is a superficial spectacle.

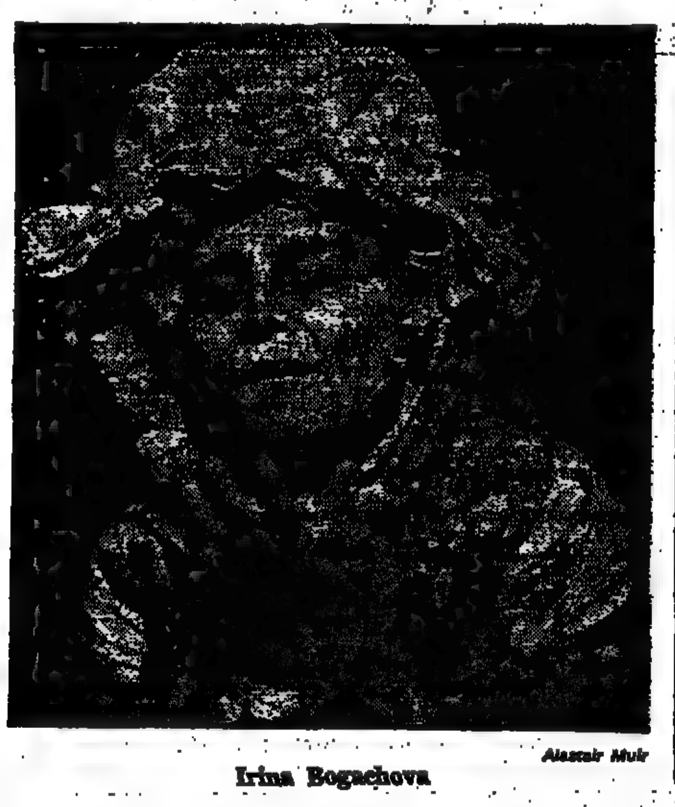
But, as Schoenberg said analogusly of C major, there is still plenty to be said in the language of old-fashioned opera production; and the best side of the Kirov *Queen of Spades* is the way it allows the voices and orchestral instruments to assume supremacy in the articulation of the drama. Temirkanov's conducting is overflowingly passionate, urgent, at once flexible (almost too much so in Pauline's romance) and strong in its pulse-beats; the orchestra plays with that broad, generous approach to tone-production and phrasing that one recognises as a fingerprint of authentic Russian operatic style.

And the singing supports very well the "old-fashioned" burden placed on it. Only one of the voices on display on Tuesday can properly be called world-class: it belongs to the baritone Sergey Leiferkus, already a favourite of Wexford and Scottish Opera audiences, who filled Tomsky's music with incisive, beautiful tone, distinctness of verbal definition, and that indescribable authority that makes an audience sit up and take immediate notice. (In the pastorale, as Plutus, he did a mean *fouetté* too.)

But elsewhere there were some solidly accomplished voices to be heard; none fell below a certain standard. The baritone Vladimir Chernov (Yeletsky) and the mezzo Yevgenlya Gorokhovskaya (Pauline) tok their chances confidently; the old Countess of Irina Bogachova was perhaps not quite the mesmeric centrepiece of the opera to which we have become recently accustomed by Sarah Walker at the Coliseum (not to mention Edith Coates and Anna Pollak of hallowed memory), but her semi-somnolent tracing of the Grétry air was beautifully touched in, the tottery dance that she undertakes at this point entirely convincing.

Larissa Shevchenko's Lisa is delivered in a full-bodied lyric soprano inclined to only a touch of squall and spread at the top; she does not escape the attitudes that Temirkanov as producer has imposed on the cast (maybe this is no more than the Russian operatic norm—the Kirov has, after all, a relatively forward-looking reputation), yet she wins our sympathies through them.

The overriding first Kirov impression is of impassioned corporate music-making: not at all a bad start to the season.



Alastair Muir

Irina Bogachova

Fitzwilliam Museum, Cambridge/David Piper

Incarnation of William Blake

On August 12 1827, William Blake, having "sung loudly and with true ecstatic energy and seemed so happy that he had finished his course," died aged 70. At the entrance to his work now shown at the Fitzwilliam Museum, Cambridge, until August 31, he presides still as figurehead, almost in person.

The cast of his head, taken from the life in 1823, is among the most remarkable portraits of any English poet, and surely because Blake in life seems to have been such a satisfactory incarnation of himself—looking (as Beerbohm complained so few people were wont to do) like himself. The taking of the mould has closed his eyes, flared strangely his nostrils, and concentrated the features.

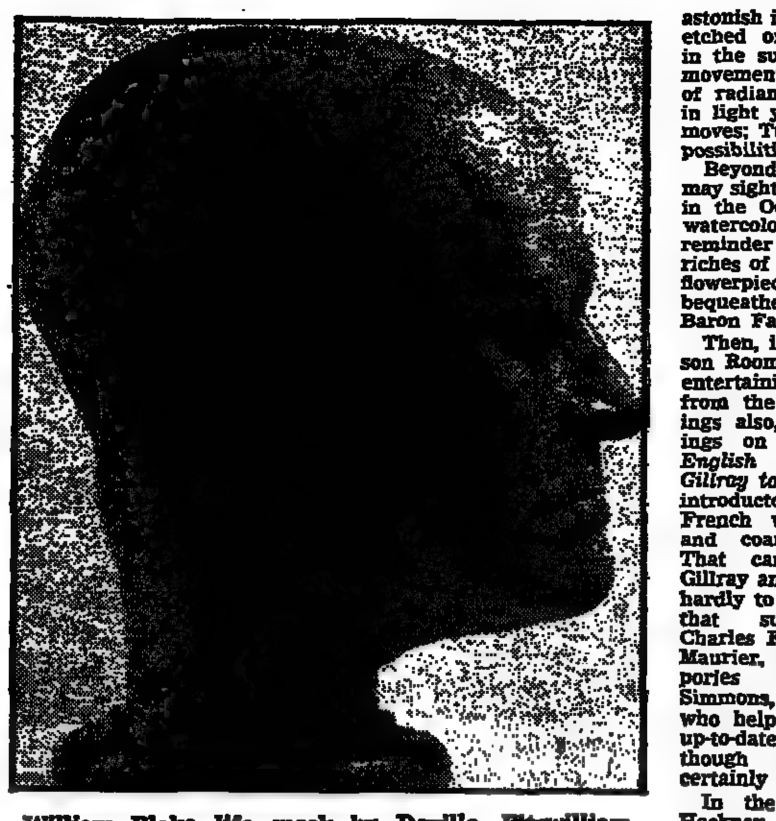
The castmaker, Deville, was an amateur phrenologist, and wished to capture Blake as specimen "representative of the imaginative faculty." Behind and beyond that dour yet exalted head, turned in on its own vision, the exhibition of his work opens out that vision. Though conservation insists on low levels of light, mysteriously Blake's colour seems to respond to this almost as if stained glass windows kindling dim religious light into vibrant incandescence.

The Fitzwilliam's holdings of Blake material, at least as Painter-poet, are the richest in the country other than those in the national collections in London. A smaller version of this selection was shown in London by Wildenstein in aid of the Friends of the museum last year, but it is now much expanded in scope, especially—as the life-mask indicates—in relating the work to the man.

It is probably more comprehensive in its representation of Blake's genius than the permanent display at the Tate, and the spread of colour plates from the illustrated books (increased here by a private loan of 25 superb rare plates from the *Jerusalem*) is especially rewarding in their hallucinatory brilliance and vigour. If you have world enough and time you will be able to spend hours absorbed in the unique mergers of poetry, line and colour in which Blake precipitated his revolutionary and magnificently eccentric personal mythology.

The colour engravings outshine the temperas, in which Blake's characteristically experimental techniques tend to dim in time, though the large *Allegory of the Spiritual Condition* tells in this show far more impressively than I had remembered, despite its damage.

1987 is the 160th anniversary of Blake's death and the centenary year of the birth of Sir Geoffrey Keynes, pioneer surgeon, and student, editor and collector of Blake's work without peer this century. He died in 1982, having just failed — uncharacteristically and almost to the disbelief of his friends—to complete his own century. He was a major benefactor to the Fitzwilliam and the exhibition is dedicated to his memory.



William Blake life mask by Deville, Fitzwilliam Museum

Though certainly the major temporary exhibition to be mounted by the Fitzwilliam for the Cambridge Festival, it is but one among six in the museum. The most striking of the others dazzles the visitor emergent from the haunted cavern of the Blakes: a sunburst in full daylight of colour and crystal, contemporary glass and furniture staged by Henry Rothschild: *Clear Through to the Wood* (till August 9).

The British traditional taste in glass still is often confined to clear crystal tableware, cut or plain, or to pure colour like Bristol blue. Engraved glass, as promoted by Laurence Whistler, has its following, but polychrome virtuosities may be thought of as lapses of taste. In this exhibition new virtuosities exploiting new high-tech procedures produced a most spectacular impact.

Herman is represented here, and this new generation of workers in this medium seem able to do almost anything in glass that the potter can in clay. One might at times think that the naked hand must have shaped some on the wheel—but glass has to be red or white hot to be malleable. Nevertheless, it is demonstrated here that glass, besides or as well as being free-blown, can be modelled, sand-blasted, caressed moulded, coloured, carved or engraved to effects more usually associated with potters or sculptors.

This is a selling exhibition, but the prices, compared with pottery of comparable calibre, are not ceiling-high. Following standards set by John Makepeace's stable at Parnham (represented here), the furniture, though it may first be seen as surfaces for the display of glass, is exquisitely made and finished, in a sophistication far beyond that pioneered by Roger Fry's Omega standards.

Yet chairs and tables are not more expensive, or even less so, than high quality new traditional boardroom or dining furniture. They tend perhaps to the blonde purity of wood surface (sycamore, or ash) so beloved of modern designers, upon which you may think twice before setting anything so common as a bottom or mug of tea, but which is all the same most chastely elegant in its virginity.

The splendours, nevertheless, astonish in the free-blown glass, etched or stained, or holding in the suspension of the glass movement, swirls, tides, fusions of radiant colour as if stilled in light yet moving as the eye moves: Turner might have seen possibilities in this freedom.

Beyond Blake and Glass you may sight *Grace and Abundance* in the Octagon: a selection of watercolour floral designs, a reminder of the inexhaustible riches of the great collection of flowerpieces, oils and drawings, bequeathed by the second Baron Fairhaven.

Then, in the Graham Robertson Room, a very fetching and entertaining selection, mainly from the Museum's own holdings also, of prints and drawings on the theme of *The English Sense of Humour: Gillray to the Present Day*. An introductory caption quotes a French view of "the savage and coarse Saxon humour." That can apply indeed to Gillray and Rowlandson, though hardly to the later humorists—that superb draughtsman. Charles Keene, still less to du Maurier, while our contempories (including Posy Simmons, Fantoni, Calman) who help to bring the survey up-to-date, scarcely fit the bill, though Steadman in rage certainly can.

In the Print Room David Hockney (no mean joker either) has his own show: the complete early etchings (up to 1984), including of course the now very rare suite, *The Rake's Progress*, which first announced to the world the arrival of a prodigy. Nor is that all: below, in Coin Room premises, the British Museum has provided a demonstration of a somewhat unexpected foray into a new medium by another more legendary joker, Ronald Searle: as medallist, with preliminary drawings and enlarged models (a tribute incidentally to a local boy, graduate of the Cambridge School of Art).

Considering the constraints under which the tiny staff of the Fitzwilliam deal with its collections of national and international importance and calibre, the profusion is remarkable; Cambridge and its Festival have reason for gratitude. I asked the Keeper of Paintings and Drawings what the equivalent of the corporate noun a "pride" as applied to lions might be for exhibitions. He thought probably: "a crisis of exhibitions" — if so, this is a crisis admirably resolved. Times of opening though need watching: the Museum is closed on Mondays; Blake, Glass, and *Grace and Abundance* open during normal museum hours (Tues-Sat 10-5; Sun 2.15-5); *English Humour*, and Hockney, 2-5 only; Ronald Searle, Tues-Fri (10-12 only).

Coppelia/Festival Hall

Clement Crisp

Looking at *Coppélia* in any decent production—not least Ronald Hynd's version for Festival Ballet, now on the South Bank—you see the most elaborate and improbable artifice disguising an allegory about true love. Beneath the nonsense of Galician peasantry, alchemical trappings, quaint impersonations of Burgomasters and assorted village worthies, there is something touching which must be shown to an audience if the ballet's theme, and Delibes' radiant score, are to be honoured.

In Tuesday night's performance, with Lucia Truglia and Rudolf Nureyev as the lovers, Alexander Grant as Coppelius, there was no doubt about the sincerity of the tale, nor the charm of the characters. It was, I suppose, Nureyev's presence which galvanised the evening, for his Franz is an accomplished piece of fooling, bubbling with energy and jokes, but honest in his feelings for Swanilda, however often his eye may rove to the mysterious beauty on the balcony.

Lucia Truglia is no less vivacious, and quick of step in her variations, which have an Italian flash of temperament to give them savour. Mr Grant plays Coppélius as a genuine eccentric, whose clowning conceals ideals which speak with rare pathos when he thinks his creation has come to life (hands to mouth, eyes filling with tears), and then, when the deception is revealed to him, he seems broken in spirit.

And if Mr Nureyev's technical forces no longer suit him to the feats he proposes in a variation, he is everywhere else the brightest of players in the role, and an inspiration to his colleagues, who bounce and stamp with him at the behest of Delibes' intoxicating rhythms. You can ignore the shelf-like nature of the Festival Hall stage, which pushes the scenery and the action almost into your lap. You can, if sufficiently strong-minded, even ignore what I find the loathsome clutter of the Hall itself, which now combines the worst features of an airport and a bargain basement. *Coppélia* triumphs.

Red Pilot/Riverside Studios

Michael Coveney

LIFT continues on its challenging programme of international theatre with an eardrum perforating event from Ljubliana at the Riverside Studios. *Fiat* is a neo-Constructivist metallic installation by Red Pilot, the performance wing of a remarkable Yugoslav arts project based in the Slovenian capital. The other two elements are the rock group Laibach—who provide a deafening soundtrack on tape—and Irwin, an artistic collective whose extraordinary iconic industrial creations—forged from pigs' blood, religious and romantic motifs, silk screen prints and freshly mined coal—are on display in the Riverside gallery.

It is a strange and sinister occasion, most of the audience, prepared for the Laibach concert that followed Tuesday night's show, dressed in regulation black bags and blouses. Liebach musicians in boots and short haircuts mingled with the throng. Chillingly, our names were trumpeted by the Riverside director and, one by one, we filed past soft welcoming men in black through a fur-lined grotto into a performance area of burnished steel with a circular fiery furnace. It all resembled some curious Wagnerian laundromat.

To the accompaniment of the loudest metallic rock ever heard, two boiler-room attendants in chalk blue trousers and Alfred Doolittle floppy headgear, unveiled a mannequin show, were joined by a third and did a little Cossack dance. Lyrical airs from *Samson and Delilah* and *The Fantasticks* did not help explain a rather beautiful dumb show for three couples each representing Jason and Medea. Arrows flew and a white rabbit was pulled by its ears in a poor simulation of the golden fleece.

An English summary of the dialogue section would have been welcome, but there is no questioning the power of these performers or the insidious purposefulness of their statuesque compositions in the furnace and, on either side, the other two openings shaped like a cross and a triangle. Industrialised systems music goes hand in foot (I have not yet worked out the shoe imagery) with a grim, sullen but memorable determination to invent, or at least re-invent, a personal, coherent theatre language.

Olaf Baer/Wigmore Hall

Dominic Gill

The young East German baritone Olaf Baer is no stranger to British concert halls or opera houses: he made his recital debut in London at the Wigmore Hall in 1983 at the age of 26, and two years later returned with much acclaim to sing Harlekin in *Ariadne* at Covent Garden. He sings the Count in Glyndebourne's current *Capriccio*, and his Wigmore recital on Tuesday had been sold out for weeks—when the queue for returns stretches almost as far down the road as Bell & Croyden, an artist has indisputably arrived.

Mr Baer divided his programme on Tuesday night between Brahms and Wolf, and his Brahms performances—the Eight Songs op. 57, and a selection of seven songs from the late (1894) 49 *Deutsche Volkslieder* — exquisitely cultivated as they were, proved to be really not much more than a preliminary warming up for the Wolf. The timbre, however, and the expressive colouring and intonation were faultless in whatever music he sang. Mr Baer plays his strongest, and undeniably his most effective, suit in the slower moving pieces.

There was a wonderful stillness and concentration of tone in Brahm's "Es träumte mir," and perfect expressive delicacy, sustained in breathless half-voice, in the delivery of "Unbewegte, laue Luft." His humour, too, was nicely gauged: relaxed and easy, lightly pointed, in "Ich stand auf hohem Berge," without ever sounding (as Brahms' lighter vocal inspirations can so easily sound) either too po-faced, or too heavily insistent.

But it was quickly clear in his second half that the principal focus of Mr Baer's recital was reserved for 15 of Wolf's *Mörikelieder*. The very platform manner was more intensely contained, and the delivery less self-consciously "polished." His account of "Neu Liebe" was remarkable, every word a different hue: not merely exquisite word-painting, but exquisite painting in music. And "Begegnung"—one of my favourites of all the wonderful, wildly uneven list of Wolf's Mörike settings—was drawn out with the greatest delicacy and intensity. Geoffrey Parsons, Mr Baer's accompanist, was on curiously unpredictable form: bright and willing in the Brahms, but largely dull and expressively foursquare in the Wolf.

Mystery Plays/Coventry Cathedral

B. A. Young

Within the ruined walls of Coventry's old cathedral, a company that is part professional and part Coventry tradesmen acts the familiar events of the New Testament. They do not play on moving "pageants," like their forebears of the 14th century, but on and around five concrete stages, and they share the whole area with the audience.

What they are playing is not the old Ludus Coventriae, but an adaptation by Keith Miles that is taken from several sources. There are two plays from an incomplete Coventry cycle—the Pageant of the Shearmen and Taylors and the Pageant of the Weavers—and other scenes from the York, Chester and Wakefield cycles. (The Coventry Carol is sung by the women when Herod has slaughtered all their children.) The original rough tetrameters are more or less retained, but the speech is cleared of old usages to be more easily understood.

"Mystery," in this context, means no more than trade. If the craft guilds who put on the Passion Plays still survived, there would be more truck drivers and shop keepers in them than shearmen and tailors, and a fair number of them would be black or Asian. So Rob Bettinson, the director, has cast a lot of black and Asian players, including most of the leading parts. Mary is black, Marcia Myrie, and a lovely performance she gives as a bossy young wife who knows what it is to be the confidante of an angel. Miss Myrie is Coventry-born, and understands how husbands are treated.

Joseph is black, too, T-Bone Wilson, kindly and patient—but see how upset he is when Mary, her early problems behind her, tells him for the second time "The Angel of the Lord has been with me." The angel, or rather Archangel Gabriel, is black, John Adewole; he sets every problem right like an ever present god from the machine. Herod (Ken Herbert, with a grand voice) is black, and the three kings, and Judas, and John the Baptist, and of course Jesus, who appears in three guises, as a baby, a 12-year-old, and, finely played by Leon Herbert, as a man.

The playing is forthright and powerful, and the element of emotion that so often goes with black acting adds an extra quality that truly suggests both the players of 600 years ago and the simple people about whom the gospel stories were written. The costumes and decor by Adrian Rees are splendid; I specially liked Pontius Pilate's purple dress uniform. If I must find fault in what was for me a very enjoyable evening (two and a quarter hours, standing up) they must lie with the music, sometimes so loud that it drowned the voices, and the large amount of scaffolding needful for Bernie Howe's admirable lighting.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 24-30

Exhibitions

TOKYO

Images of Gods: This exhibition of masks and totem figures from Africa, Oceania, Asia and the Americas commemorates the 10th anniversary of Osaka's National Museum of Ethnology. The 200 objects include rare items from Oceania (from Britain's George Brown Collection) along with elegant and modernistic designs from Africa and Australia. Suntory Museum of Art, near the New Otani and Akasaka Prince Hotels Akasaka Mitsuke. This is a cosy museum offering both a tea ceremony room and spectacular views over the city. Ends August 30th. Closed Mondays.

Wassily Kandinsky (1866-1944): 102 paintings and drawings, including some from his pivotal Blue Rider era, comprise this exciting exhibition. The suggestion of a musical rhythm in art is caught in the bold colours and tension of Kandinsky's characteristic geometric patterns, squiggly lines and motifs seen especially in his "In the Black Circle" and Improvisation and Composition series. The National Museum of Modern Art, Kitanomaru Park, Takebashi. Plan your itinerary to take in a stroll through the nearby Imperial Palace Gardens or at least along the Moat, one of the few oases at the heart of the city. Ends August 9. Closed Mondays.

Bunjin-ga Literati Painting. This exhibition of Chinese-inspired landscapes by Japanese artists of the Edo Period (1600-1868) includes works by the renowned Uragami Gyokudo of the Nanga, or Southern School of Chinese painting. Literati painters were enthusiastic amateurs who worked in ink and paper – the Acaedemy professionals worked in silk and mineral colours. Their most typical subjects were the rustic scholar-recluse poetic scenes of mountains and Zen-inspired landscapes of the mind. Idemitsu Museum Hibiya, above the Imperial Hotel and near Ginza and main hotels. Ends Aug 23. Closed Mondays.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

ITALY

Venice: Ca Pesaro: American Art in the 60s from the Ludwig Museum in Cologne: Works by 25 artists, from Liechtenstein to Rauschenberg, Oldenburg, Rosenquist, Warhol, Lewitt, Dine, Stella, Noland and Paolazzi. Ends Aug 2.

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, angiophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empire style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

SPAIN

Madrid, Fernando Botero. Colombian painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

Madrid, Spanish Pavilion in the international exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, some copies or reproductions include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury. Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

PARIS

Medieval Art in Paris: The Abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on the blackened ruins of roman baths. Now a museum, it houses medieval works of art: goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painleve, Metro Odeon. Closed Tuesdays and lunchtimes (432 56200).

Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cezanne, Douanier Rousseau. Musee Picasso, Hotel Sale, 5 Rue Thorigny, Paris 3E (4271 2421). Closed on Tuesdays.

WEST GERMANY

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

Burlington House, Picadilly: The Summer Exhibition of the Royal Academy has come round again, for the 219th time. Over 1,300 works have been chosen, nearly 300 fewer than last year, from an open submission of over 13,000 – paintings in all media, prints, drawings, sculpture and architectural design. For all its variety and quirkishness, the exhibition is strongly professional: the amateur work which once made it notorious has been more rigorously excluded in recent years and is now all but gone. With their privileged entry of six works apiece, the Academicians and Associates set the standard and the tone. With so big a show as this the visitor must follow his own taste and judgment and work quite hard to see everything properly, but such involvement brings its own rewards, from the work of Elizabeth Blackadder, Olwyn Bowey or Gus Cummins to that of Gillian Ayres, Joe Tilson or John Bellany. (Daily until August 23).

Museums/Antony Thorncroft

Museum grant restricted

It was a familiar story from Professor Brian Morris when he presented the annual report of the Museum and Galleries Commission yesterday—great popular demand for museums, with attendances rising to 72m a year, but niggardly financial support from the Government which has restricted its grant for the 2,000 museums to £2.5m. (The 11 big institutions—the BM, the V and A, the National Gallery, etc, are funded directly by the Ministry for Arts.)

The university museums are in a particularly bad way, with the universities, strapped for cash to maintain their teaching standards, unable to find adequate resources to maintain them. The result is more closures of departments, or the entire museum, for days on end. In such circumstances the museums must be tempted to sell off part of their collections, as Newcastle did with some of its tribal art treasures last year, to Japan.

On the positive side Professor Morris drew attention to the detailed report of a working party on the training and career structure of museum staff. The aim is to get museum curators trained professionally at polytechnics and at university, and given some grounding in marketing. This should provide a new generation of museum directors who know more about the real world, if slightly less about Mayan remains or Cycladic sculptures.

The museums are learning to live with frozen grants. The Yorkshire and Humberside museums now get more revenue from local authorities and from sponsors than they do from the Government, and are challenging the Minister for the Arts, Mr Richard Luce, to fulfil his "challenge funding" pledge and give them more cash to match their success. But for most museums it is a hard and thankless task trying to shore up an old building and maintain, let alone enhance, the collection.

LSO claims record concert attendances

The London Symphony Orchestra has claimed record attendance figures for two major summer events. The audience averaged 93.6 per cent capacity for the five LSO Gershwin concerts in the Barbican, while the average was 81 per cent for the third annual Daily Mail LSO Summer Pops, also in the Barbican.

After touring the United States in August, the LSO opens its 1987-88 Barbican session on September 19 with Lorin Maazel conducting a Beethoven programme.

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Peace hopes in Sri Lanka

THE PEACE accord signed in Colombo yesterday by President Junius Jayawardene of Sri Lanka and Mr Rajiv Gandhi, Prime Minister of India, is, for all its faults, fragility and contentiousness, the best hope for bringing Sri Lanka's prolonged and bloody ethnic strife to a conclusion. The violence in the island has reached such a serious state that yesterday's agreement may well be the last chance to avoid a slide into full civil war between the increasingly antagonistic Sinhalese and minority Tamil communities.

Any doubts that the accord was going to be difficult to implement have been dispelled by the widespread rioting by the Sinhalese this week. It is difficult to conceive of a less hopeful venue for a peace signing ceremony than Colombo yesterday—under curfew, police under orders to shoot protestors on sight and palls of thick black smoke hanging overhead.

Nevertheless the accord is all that is on offer except more violence. It contains proposals which can be made to work and the onus now falls on all parties to make them work. Mr Gandhi and Mr Jayawardene have the task of making sure the consequences of failure are understood: the death toll of 6,000 in the last four years will rise, the decline of the battered Sri Lankan economy will accelerate and ultimately India, under pressure from the 50m Tamils in the southern Indian state of Tamilnadu, may have to enter the conflict militarily on the side of the Tamils. The unspoken element is that the accord is being underwritten by two weak governments, both with leaders in precarious political positions. A collapse would probably unhorse the ailing Sri Lankan president and would do Mr Gandhi no good at all.

No partition

Already the accord is being misrepresented. It is not a plan for partition of Sri Lanka, as Sinhalese protesters are claiming. The new Tamil homeland in the eastern and northern provinces will have one of nine provincial councils in the island, each with a governor, chief minister and board of ministers. The Tamils will have therefore a semi-autonomous region but will be under the normal jurisdiction of the Government, police, army, laws and judiciary of Sri Lanka, though with a role, as yet to be determined, for the Indian military. This falls well short of partition and of the aspirations of the Tamil Tiger separatist group which has threatened to fight on for "Eelam" — an independent Tamil state within Sri Lanka.

The deal does not undermine the security, status or well-being of the majority Sinhalese population or that of the other ethnic groups including Muslims, Malays and Europeans. An annex to the agreement, however, appears to compromise Sri Lankan independence to a degree. Mr Gandhi having insisted, for example, that Indian "advisers and trainers" should replace Pakistanis and Israelis.

Hardest part

Mr Jayawardene may find this degree of acquiesence to Indian regional ambitions tricky to explain away, but ultimately all Sri Lankans will have to understand that there can be no settlement of the current problems without Indian involvement. The price for peace may be closer geopolitical ties with Delhi, at least for the time being.

The hardest part of Mr Gandhi's role as peace guarantor *concerns the eastern province* which is only one-third Tamil, the rest of the population being Sinhalese and Muslim. The Tamils are outraged by the part of the accord which promises a referendum within a year to allow the eastern population to decide whether to stay merged with the north. The others are incensed that they are to be merged in a Tamil entity in the first place. Both sides may resort to violence, the Tamils to try to intimidate the Sinhalese and Muslims into leaving the east before the referendum and the non-Tamils to try to prevent the initial merger. If either were to succeed, the accord would be in shreds. For this reason Mr Gandhi has said his guarantees will include a military presence in Sri Lanka. How extensive this well need to be depends on how much violence has to be contained. It is difficult to overstate what is at risk in Sri Lanka if the ceasefire is not made to hold.

Peru retreats into populism

MR ALAN GARCIA has celebrated Peru's national day and the second anniversary of his populist presidency by proposing the nationalisation of banks and financial institutions. This extension of public ownership, when many Third World countries are experimenting with privatisation, is merely the latest indication of Peru's determination to flout orthodox economic policy prescriptions. President Garcia's first move when he came to power in 1985 was unilaterally to limit Peru's debt service payments to 10 per cent of export earnings. This was followed by big wage increases, price controls and measures to encourage production for the home market.

The planned nationalisation of the banking system appears to have no clear economic rationale. President Garcia claims it is necessary to mobilise scarce funds for productive investment and to improve the rural poor's access to bank credit. But banks and other financial institutions are already heavily regulated and these policy objectives could almost certainly be more efficiently pursued by tax and other incentives. Nationalisation is thus best interpreted as another of President Garcia's colourful gestures designed mainly to bolster his domestic political position.

Low confidence

Indeed, all President Garcia's economic policies have to be assessed in the light of the country's poverty and political instability. It is easy for foreign creditors to condemn President Garcia's decision to cap debt service payments. But *it is not clear that he had any* other feasible option: Peru's debt to gross national product an ddebt to exports ratios of 88 per cent and 361 per cent are considerably worse than the average for sub-Saharan Africa. It is now widely accepted that many African debtors simply cannot afford to repay their debts in full: the UK has even put forward a scheme for debt relief. It is illogical to argue that debt ratios that make forgiveness acceptable in Africa are consistent with repayment in full in another continent.

President Garcia's willingness to embrace any policies that appear to offer the prospect of higher growth is also understandable. When he came to power, Peru was in the grip of an almost unprecedente dslump. Average earnings had declined at an annual rate of about 12 per cent between 1980 and 1985. Gross domestic investment had fallen even more quickly—at an annual rate of more than 16 per cent. The share o finvestment in GDP in this poor developing country stood at only 20 per cent, compared with 34 per cent two decades previously. It is scarcely surprising that confidence in orthodox economic policy prescriptions was extremely low.

Economic nationalism

Armchair critics of Peru's economic iconoclasm should also bear in mind the fact that th ecountry is in a state of partial civil war. Lima has been under curfew for 15 months. Sendero Luminoso (Shining Path), the fanatical Maoist guerilla movement, has killed thousands of civilians and security personnel in recent years. There is no point, in such circumstances, calmly preaching the need for belt-tightening measures as though Peru were a stable First World democracy.

President Garcia's economic policies have been successful in the short-term. Growth of more than 8.5 per cent last year was the highest in Latin America. They are now beginning to unravel: inflation is rising and growth faltering. Nationalising the banks is likely to reduce the economy's efficiency. Peru badly needs a credible long-term growth strategy to replace the wishful thinking of the "bold ones" in President Garcia's kitchen cabinet. It also needs access to foreign savings if it is to achieve a sustainable rise in domestic investment. All this argues for some kind of rapprochement between Peru and multilateral agencies such as the IMF and World Bank.

President Garcia's own demagogic personality, unfortunately, is a major obstacle. At every turn, he has appeared to seek confrontation rather than conciliation. Yet private and official lenders perhaps also have a leson to learn from their failure to influence economic *policy within Peru*. When a poor and politically unstable country finds it can neither service its debts nor gain access to new sources of finance, a shift towards economic nationalism is not altogether surprising.

Andrew Fisher talks to the new chairman of Daimler-Benz

Polishing the star

Edzard Reuter: a more intellectual approach to business

THE famous Mercedes star, worldwide emblem of Daimler-Benz of West Germany, has been looking somewhat tarnished lately.

Not only has the diversified motor group been beset by niggling worries such as its failure to have a new test site approved and by quality problems (now sorted out) with its cars. Far more embarrassing in recent weeks have been its boardroom differences which have been spread across the business press in a riveting drama of corporate controversy.

Edzard Reuter, the man with the job of putting the shine back on the emblem, does not expect criticism to cease overnight. But in his first interview since being appointed Daimler's new chairman, Reuter this week stressed that the group's image is one of its most important assets: "Looking after our image is very important for the double reason that it is a sales argument for the customer and part of the *self*-esteem of employees."

With a worldwide labour force of 320,000, annual sales of DM 65bn (£21.9bn) and net profits last year of DM 1.8bn, Daimler is by far the biggest industrial company in West Germany. Earnings have risen steadily and the group has expanded beyond luxury cars, trucks and buses into areas like electronics, aerospace and engines by purchasing AEG, Dornier and Motoren-und Turbinen-Union (MTU) for some DM 2.6bn.

All this happened while Reuter's predecessor, Werner Breitschwerdt, was chairman of the management board. Yet on September 1, a worn and humbled Breitschwerdt will hand over to Reuter, who is now his deputy and the group's finance director. What went wrong?

Put simply, Breitschwerdt was not right for the job. When he was chosen to replace the former chairman, Gerhard Prinz, who died from a heart attack while on his exercise bicycle in 1983, Breitschwerdt's technical skills were stressed. It was thought a technical brain was needed at the top of such a quality-minded and innovative group. But Breitschwerdt was never really comfortable in his new role, and proved somewhat awkward in public. His leadership qualities were called constantly in question.

Reuter by contrast—a lawyer who likes to expound on social and business issues—is a master strategist who takes a more intellectual approach to business. Perhaps more significantly, he sees a future for the Stuttgart-based group which does not lie with vehicles alone.

"Daimler-Benz has become another company," he explains. "Before, it was a vehicle manufacturer. Today, it is a worldwide concern—I hesitate to use the term technology concern—operating in many new fields."

He concedes: "We will come under plenty of public criticism. We will have to face this, it's what we're there for. We must accept it, if it is objective."

Speaking only a few days after the supervisory board meeting which named him as chairman-designate, Reuter makes no comment on Breitschwerdt. But it is no secret that neither Reuter nor fellow-director Werner Niefer, who runs the car division and now becomes deputy chairman, have much regard for Breitschwerdt's leadership. He is 60 next month and would normally have had five more years to run as chairman.

Reuter, 59, the cultured, self-assured son of Erninst Reuter, the famous post-war mayor of West Berlin, was twice passed over for the top job in the past. His membership of the moderately left-wing Social Democrats (SPD) may have been a factor. But he was always the preferred candidate of the workforce and unions. Breitschwerdt, who had run the research and development side, was responsible for such car successes as the compact 190 and the medium-range models. But Reuter was regarded as having the stronger strategic vision and better public profile and manner.

If Daimler had remained just a vehicle producer, none of this might have mattered much. But the supervisory board, strongly led by Mr Alfred Herrhausen, co-chairman of Deutsche Bank which owns 28 per cent of the shares, became concerned at the way developments at Daimler seemed to be slipping out of Breitschwerdt's grasp. So when it became clear to Breitschwerdt that his contract would not be renewed, he decided to step down.

Now the boardroom scuffles have ended—at least for the time being—attention is again likely to focus on Daimler's new acquisitions. The logic behind the purchases of AEG, Dornier and MTU has not always been clear. Reuter outlines a double strategy, focusing on the needs of the group's core vehicle business, while also looking into the next century to a time when growth in the core business may have ceased. "It is *quite certain that automobile* technology over the next 10 years or so will see dramatic progress, with the strong importance of electronics and new materials," the chairman-designate says.

Daimler's aim is to take a more active role in such developments by harnessing the resources of its new subsidiaries rather than simply relying on links with suppliers.

The best example is the move towards an integrated electronic control system for motor vehicles—the heart of the vehicle of the future. "It would be wholly unimaginable for us not to be producing and developing ourselves in these areas, if we do not want to give up both the development and the individuality of the vehicles," says Reuter. On the electronics side, AEG (which is co-operating with Daimler on a costly new research centre) and Dornier are the key companies, with MTU working on materials.

At the same time, Reuter is looking to the even longer term: "We felt, looking right into the next century, that we should set the course for new growth possibilities in case the motor business stagnates." Approaching market saturation and falling population trends suggest this could happen, though "I certainly don't believe now that anyone would be bold enough to say that car growth will stop in, say, the year 2015."

Even so, he feels, the company should be prepared. In the truck market, "there are unimagined growth opportunities if the way is opened to further industrialisation in the under-industrialised countries." But there is no guarantee and the truck sector is now suffering from overcapacity.

"You have got to create new growth opportunities early," he asserts. "In my view, it is Utopian to think that a company of this size and profitability can only act when things have already happened. Then, it is far too late."

Apart from auto electronics, the group has also identified factory automation, aerospace and space, defence technology and office communications as new areas on which to focus. Reuter says there is no intention of selling off the household goods side of AEG, though this is not a suitable candidate for integration.

The strategy could mean Daimler's taking a stake in Messerschmitt-Boelkow-Blohm (MBB), the loss-making German aerospace company involved in the European Airbus project. But so far no negotiations have taken place, says Reuter, adding that restructuring is necessary in the industry.

With an eye on the Government in Bonn, he notes:

"There are a lot of questions to be cleared up before serious talks start and the main one is the need for a clearly defined German medium-term aerospace and space policy."

It is all a long way from building cars and trucks. Reuter admits diversification has its risks. Volkswagen's move into office equipment through Triumph-Adler, sold a year ago to Olivetti of Italy, cost it dearly. And commenting on General Motors' acquisition of Electronic Data Systems (EDS), Reuter strikes a cautionary note: "I have a lot of respect for their courage, but I can't hide the fact that I was always very sceptical that it would go well and I think it has not gone well."

So, he reckons it is unwise to expect too much, too quickly from Daimler's own efforts. Integrating and developing the new activities will take time, he stresses. "It is a process that will stretch over many years, I emphasise many years."

Thus it is likely to be well into the 1990s before a judgment can be made on whether the ambitious strategy has worked. It may even be that Breitschwerdt's more cautious approach will be vindicated in the end.

Certainly, Daimler will have to shed more of its south German Swabian provincialism, though retaining the region's cherished virtues of industry, thrift and inventiveness. "The problem will be to preserve the strengths of this so-called provincialism and also act as internationally as necessary," says Reuter.

THURSDAY BOOK REVIEW

The Great Chinese Revolution 1800-1985

By John King Fairbank
Chatto and Windus; £25.00

WESTERNERS are nurtured on the idea that China created one of the world's great civilisations and was once a mighty state which evolved an elite civil service, a speedy transport system and raised tax revenues to run it. Of modern China, they have read that a fairly honest and efficient Communist Party replaced the corrupt Government of Chiang Kai-shek in 1949, intending to make the country egalitarian and prosperous.

Outsiders have problems reconciling this with what they have seen happening over the past 30 years or so—erratic swings in Peking's policy on modernisation, outbreaks of violence in some political campaigns, and regular bouts of anti-intellectualism.

Most Westerners have come to believe that the collective madness of the 1958 Great Leap Forward and the 1966-76 Cultural Revolution were aberrations on the part of an elderly Mao Zedong — though they still find it odd that the Chinese people could blindly follow policies so obviously not in their best interest.

But they now discover that despite real achievements in prosperity and modernisation under China's current leader, Deng Xiaoping, Mao's ideas of hostility to foreign influence and anti-intellectualism are far from dead. This conservative element in Peking's thinking still bursts out without much warning, as it did earlier this year when party diehards prompted the sacking of reformist party boss Hu Yaobang.

If anyone can explain these events, it is the distinguished scholar John K. Fairbank, father of modern Chinese studies in the US. A professor at Harvard from 1936 to 1977 and now editor of the Cambridge History of China, he has an unrivalled overview of Chinese development from declining empire to would-be modern state. His new book, The Great Chinese Revolution 1800-1985, provides unusual insights into how and why China came to be what it is.

China's slowness to modernise is widely believed to be the result of certain historical facts. Its civilisation began millennia ago in the great bend of the Yellow River in north-west China. Unlike, for instance, the Nile, the Yellow River is barely navigable and provides no natural artery to the world beyond the sea. There was therefore little incentive for the Chinese to look abroad. Insulated within their own culture, their awakening in the 19th century was humiliating.

To interpretations like these, Prof. Fairbank adds absorbing insights into how centuries-old traditions are perpetuated and inhibit rational action. Most *catastrophic* has been the post-1949 tendency to follow a single leader. Deep in the Chinese psyche is the need for an emperor-figure—not simply as an all-powerful ruler but, as the emperor originally was, high priest and interpreter of heaven's wishes. This partly explains how Mao's Thought came to have the force of holy writ and why hundreds of millions never questioned its more lunatic aspects.

Another highly damaging characteristic of communist China has been anti-intellectualism. From the 1958 "anti-rightist movement" onward, education has been suspect to a party whose origins were mostly among the peasants. Prof Fairbank traces this attitude to indelible peasant hatred in imperial times for the educated officials who often cruelly oppressed them.

More optimistically, he presents evidence to show that a kind of modernisation began in 18th-century China even before the barbarians arrived. It was a time of peace, under the great Manchu emperors Kang Hsi and Chien Lung. The population and the economy expanded hugely because of the introduction of new American crops like potatoes, maize and peanuts, which grew on previously uncultivable land.

Shipping along the Yangtse increased greatly — one British observer in 1840 was amazed to find that more shipping passed through Shanghai than through London. Tea and silk exports rocketed and Chinese mercantile institutions grew to meet the need. The bankers of Shansi and Ningbo (birthplace of Hong Kong's leading millionaire Sir Y. K. Pao) multiplied, while expanding merchants' guilds formed embryo chambers of commerce.

Modernisation is a valid Chinese movement and may have strong enough roots to outlast interventions by party hard-liners

By the late 19th century a growing number of Chinese saw the need to introduce foreign expertise. But this trend was limited by innate conservatism.

When Mao and his armies won the civil war in 1949, they brought with them the traditional peasant hostility to intellectuals. From the early 1950s until Mao's death in 1976, almost all educated Chinese were victimised as "rightists." The leadership still contains a strong conservative streak.

In Prof Fairbank's view, modernisation was a valid Chinese movement, not simply a foreign transplant. If he is right, it may have strong enough roots to outlast interventions by party hard-liners and may even survive the eventual demise of the reformist Deng.

Colina McDougall

Men and Matters

Some talk from Alexander

Fresh from last week's courtroom triumph on behalf of Jeffrey Archer, Robert Alexander yesterday turned his attention to breathing new life into self-regulation of City takeovers, a subject to which the epithet of "fragrant" could be applied only with ambiguity.

As the new chairman of the Panel on Takeovers and Mergers, Alexander convened a press briefing to unveil the Panel's latest effort to remind all directors of their responsibility for thir companies's conduct during takeover bids.

The Panel's rare voluntary step into the spotlight was all the more unusual because Alexander was flanked not only by John Walker-Howarth, director general, but also by Michael Burrell, joint managing director of Westminster Strategy, the government and media relations consultant which has accepted the brief of looking after the Panel's public image.

Glasnost was only suspended when Alexander was asked about his salary, destined to remain a private matter between the chairman and his tax inspector.

He once again defended his decision to carry on with the plea in mitigation of Geoffrey Collier, the convicted insider dealer, even though he had already taken over at the Panel. But the high-flying barrister accepted that some briefs would be out of court.

"It's probably better not to get involved in any cases involving City fraud for the future," he said. "What I've got to do is use my discretion in every single case."

Alexander has done his homework for the new job, but *Caryl Churchill's Serious* Money, the sardonic theatrical look at City life, went down with somewhat less than a Big Bang: "It seemed to me to be bad satire, written in haste and without a plot." Just a punchy enough line to fit on a West End hoarding.

'You're under the limit—but I back calculate you had four pints with your breakfast'

Sidelines

John Ward, general secretary of the quaintly-named First Division Association, gets a little weary of jokes about running a trade union for top-flight soccer players rather than top-flight civil servants.

But it turns out that the Whitehall mandarins' leader is a touch football crazy himself. To his scarcely-concealed delight, he has just been elected to chair the newly-formed London branch of the Swindon Town Supporters' Club.

Ward is a Swindon fan and season-ticket holder of long standing—in spite of, or perhaps because of, an education at Oundle and Oxford and a career in London.

He is a shareholder in the club, a kit sponsor and was for about 10 years a regular contributor to the matchday programme. He also plays a bit himself and, at the age of 45, hopes to feature in a Swindon supporters' side against "civilised" select London opposition.

The branch, to be known as Swindon Supporters in London, aims to arrange travel to home and away matches and will sponsor the kit of Lou Macari, the club manager.

As a good trade unionist, Ward says he will insist on the non-sexist term of branch "chair." His fellow Swindon fans will doubtless be happy to go along with such foibles if his first division gloss rubs on to the club's second division status.

Concert pitch

Herbert von Karajan, music director of the Berlin Philharmonic Orchestra, a man already loaded with honours from the music world, has been given a new title—that of economic attache.

Anyway, that was how Atsuhiko Yatabe, Japanese ambassador to Austria, described the maestro's role yesterday at the opening ceremony for Sony's new compact disc plant in Salzburg. It is the first Japanese music pressing factory in Europe.

In the fae of strong international competition to get the plant, von Karajan was a tireless advocate in persuading Sony to build it just outside Salzburg, where he lives.

Nevertheless, Norio Ohga, Sony's president, stressed yesterday that the final decision was made on unsentimental business grounds—Austrian industrial grants of 19.5 per cent sound quite unsentimental to me.

Not content with one investment decision to his credit, Von Karajan is now after another.

Although he has difficulty in walking, he disclosed that he has a recording programme of 43 works, mainly symphonies, on combined compact disc and video. Many observers believe CD-Video will be one of the next consumer toys which Japanese companies will flood into Europe.

Von Karajan, ever the salesman, invited Sony's assembled dignitaries at yesterday's ceremony to come back and build another plant in Salzburg for CD-video if demand takes off.

Each way bet?

Sir Adam Thomson, British Caledonian chairman, had faith in the long-term future of British Airways even before he agreed to fly its flag. Thomson was revealed this week as the beneficial holder of 200 BA shares, consistent with an application for 400 to 1,500 shares in the February offer for sale when the two carriers—now betrothed—still appeared publicly to be bitter rivals.

BCal, which owns 200 BA shares on its own account, described Thomson's investment (and similar holdings by two other directors) as a private matter.

Low mileage

A timely plea to the motor trade to shut all alcoholic celebration tomorrow night, "E"-prefix eve, comes from Peter Bottomley, roads and traffic minister.

Seems he wants no repeats of last year, when some punters proudly drove away from dealer parties at midnight with their brand new car and prefix—straight into the arms of the boys in blue

Outside help

From an advertisement for a Birmingham restaurant: "Our *unrivalled list of delicious* starters from far and wide includes a superb imported Paté Maison."

Observer

ECONOMIC VIEWPOINT

Amber still the prevailing light

By Samuel Brittan

BEFORE the CBI survey was published, the economic signals were pointing towards amber. There was no great inflationary boom; but it seemed that the growth rate might be imposing some strain on capacity and there was a case for a non-crisis application of the brakes if that could be done without causing sterling to rise too far.

The CBI survey moves the signals slightly to the green side of amber. There is less overstrain than might have been feared; and the May trade figures now look more like an aberration than a new trend.

Unfortunately, however, the CBI's own interpretation overdoes the complacency and tries to play down all signs of inflationary overstrain. Amber is still the predominant colour; and there is still a case for quietly encouraging a small rise in interest rates, so long as this can be done without pushing sterling above the unofficial range "with soft buffers" of around DM 2.90 to DM 3 established in the last few months.

The case for doing so is the normal prudential one for acting in time. It is reinforced by the fact that the present level of interest rates is below that considered appropriate on domestic grounds. Base rates were only reduced to 9 per cent in May to stop sterling overshooting in the run-up to the election.

If sterling is now a little softer, these external reasons for holding interest rates artificially low have weakened; and "the market" should be allowed to edge interest rates upwards while Ministers are on holiday.

The headline finding of the CBI is that a large positive balance, amounting to a quarter of the businesses polled, report and expect output and orders to rise. But there has been no further acceleration since April.

Industry is still working at a high level of capacity. The slight drop in firms reporting that capacity is a constraint is well within the margin of error of the survey. It is moreover offset by the answers to a slightly different question, which shows a fall in the number of establishments working below capacity.

This latter series is plotted "upside down" on the chart, so that the graph rises when fewer firms are reporting surplus capacity. The interesting feature of the chart is not merely that the level of capacity operation is slightly higher than in the 1979 peak, when Labour left office, and not much below the Heath-Barber peak of 1973. More striking is that high capacity operation has been maintained much longer than in either of the previous upturns.

That is not in itself bad—if high level capacity operation can be maintained without inflation, and if business reacts to the constraints by installing new capacity rather than by just raising prices or allowing order books to lengthen.

There are some signs of such a positive response. Investment intentions in plant have risen sharply, and have now recovered from the phasing out of the capital allowances following on the 1984 Budget. Investment intentions in building show the first slight positive balance since 1977.

Perhaps the most encouraging results are for exports. A positive balance of about 20 per cent of the firms report a higher volume of export orders and deliveries and expect it to continue. On the other hand fewer firms expect to raise export prices than did this spring or last winter and a balance of 10 per cent say that orders are "above" rather than "below" normal.

Another encouraging feature is that there is little sign of a restocking of materials, but only an end to past destocking. Stocks of finished goods are being run down but no more so than for the last year and a half. There is not much hint there of a runaway import boom.

Another encouraging feature is the apparent abatement of cost pressures. Fewer companies report an actual or expected rise in costs than in the winter or spring. But this is not being reflected in any lowering of domestic price increases, thus suggesting a further boost to profit margins.

In the face of an apparently healthy upturn, a tightening of interest rates—or a firm declaration to eliminate what remains of the Public Sector Borrowing Requirement—would be seen as a resolve to keep the upturn healthy and far removed from anything remotely resembling panic. It is the willingness to take timely action, not enforced by plunging markets, that is the real political test for the Chancellor and Prime Minister.

What then are the signs that even this degree of tightening is required? The trend in employment looks encouraging. Manufacturing industry has been expecting to employ fewer workers in virtually every survey since 1977, the only difference being in the anticipated rate of job loss.

Tentative signs of a levelling off in 1984-85 came to nothing, but expected job losses are almost zero again. The CBI is now more confident of a levelling off, with the upward employment trend "in small and medium-sized firms offsetting the continued decline among the largest employers."

If the increased demand for labour mainly meant a continuing reduction in unemployment—with increases in service jobs no longer being offset by reductions in manufacturing—it would be entirely welcome. But given Britain's fragmented labour and housing markets, labour shortages can still develop although there are nearly 3m registered unemployed. Shortages of skilled workers are now mentioned as a constraint on output by 18 per cent of respondents—the highest level since before the 1980-81 recession.

An even higher proportion of respondents refer to skilled labour shortages in the Institute of Directors survey, which may not be quite so fashionable in establishment circles.

A majority of CBI (unlike Institute of Directors) respondents say that lack of orders or sales is still the main limiting factor on output. Even so the proportion is the lowest since 1979. When the CBI concedes that its results show "a healthy level of demand," others may tend to substitute "query excessive."

Nevertheless, it is a hopeless task to say in purely physical or volume terms what is a stimulating growth of output or orders and what is "overheating." All the present arguments about the benefits of buoyant demand in encouraging new investment were heard in the 1960s when unemployment was 2 or 3 per cent.

There was nothing wrong with these arguments in their own terms, except that they left out of account the danger of accelerating inflation—sometimes at first disguised in a payments deficit—which brought the various dashes for growth to an end.

The great virtue of any monetary or nominal framework (which the medium term financial strategy intended to provide) is that policymakers build in automatic safeguards and do not play God with the economy.

The simplest—and not the worst—of these frameworks was the gold standard rule together with the balanced budget convention. Because of financial innovation and changing money-holding habits, monetary guidelines have failed to provide a contemporary substitute.

So we are left with a few broad indicators of the amount of inflationary pressure. Sterling is strong, although no longer for the moment too strong. The gilt-edged market has fallen in a warning manner but it is all too susceptible to City fashions. Fiscal policy is moderately tight, even if privatisation and cyclical factors are taken into account. Commodity prices—a world-wide rather than a UK signal—are off the bottom, but still below the level of a few years ago.

House prices are far and away the most worrying indicator. Even if we concentrate on the country as a whole rather than the South East, they are some 14 or 15 per cent above a year ago, compared with a normal rise of 7 or 8 per cent in line with earnings.

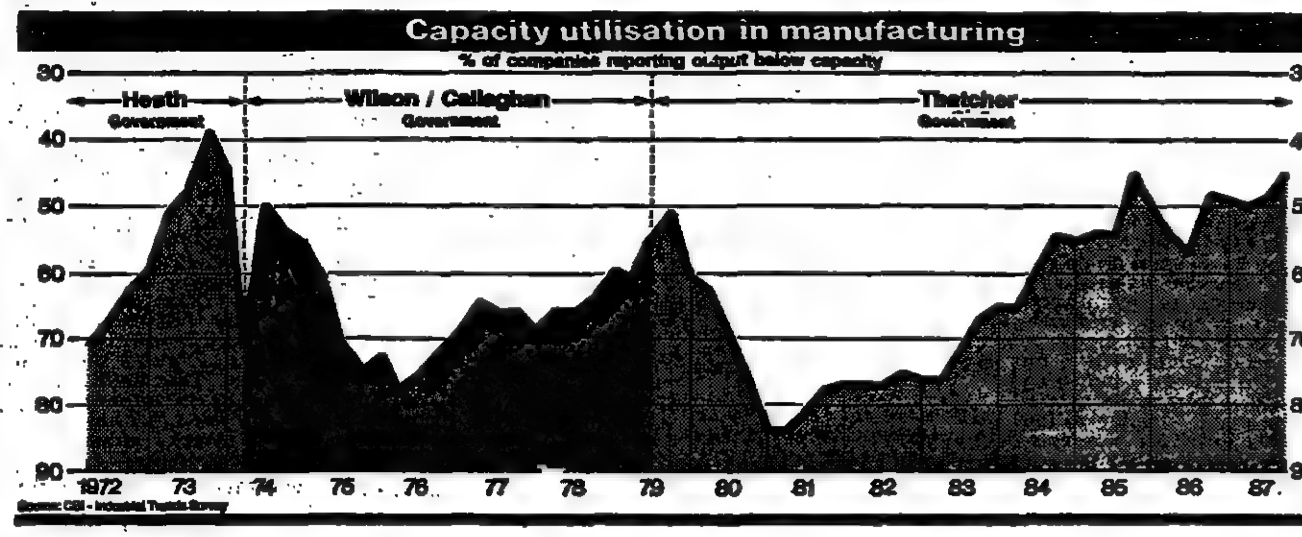
Fluctuations about the norm are to be expected and present rates of national increase in home prices are below those of 1978-79, let alone 1972-73. They are, nevertheless, moving the wrong way.

Rising house prices do not cause inflation. But they are a symptom of inflationary pressure. The normal mechanism by which monetary expansion feeds both into real economic activity and into inflation is by means of rising asset prices, which have a wealth effect and are also an incentive to invest in new assets.

There is also the specific channel via the labour market, where the South East property boom is important. For workers are not able to afford to move to where the jobs exist. To add to the story of floating accommodation on the Thames: there are reports of construction workers sleeping four nights a week on site, before returning to their families in the North.

The combination of tight planning restrictions on new building, tax privileges for home owners (with more to come as rates go), and the liberalisation of sources of finance has been lethal in putting a floor to the potential fall in unemployment before inflation takes off.

Slightly higher base rates cannot remove profoundly unwise structural policies on which the Chancellor and his top advisers should have resigned a long time ago. But anything that higher base rates can do to take the froth out of the property market will be welcomed and would fit in with general policy requirements—provided always that sterling is not pushed significantly above DM 3.



Lombard

Morocco's ties with Europe

By Francis Ghiles

KING HASSAN of Morocco's declared intention of applying for membership of the European Community was greeted in the European media with a mixture of incredulity, scorn and the kind of racial jibe which many educated Arabs have come to expect from Western countries.

The Danish President of the EC's Foreign Ministers' Council was quoted as saying that he regarded the application as absurd. On the face of it, the Moroccan candidacy looks unrealistic.

Article 237 of the Treaty of Rome says that any "European" country may apply to join the Community. If Turkey, part of whose territory does lie in Europe, is not a welcome candidate, Morocco, whose territory lies exclusively in Africa, cannot expect to arouse much enthusiasm.

Whatever its trappings of parliamentary democracy, EC members would argue that the kingdom has some way to go before it could subscribe to the set of "common values" agreed by Community members in Copenhagen in 1983. At the time, this was intended as a signal to Greece, Spain and Portugal that they would have to change their political spots before any application to join the EC had a chance of being welcomed.

King Hassan was, until last July, chairman of the Arab League and remains chairman of the Al Qods Committee of the Islamic Conference. However good a friend of the West he is (he did play an important role in the run up to the Camp David Agreement between Egypt and Israel and does offer refuelling facilities for the US Rapid Deployment Force), reconciling membership of the EC with his other activities in the Arab world could prove impossible.

Furthermore, Morocco's per capita income of $660 per annum, rapidly expanding population and growing agricultural production would put intolerable pressure on the EC at a time when it is struggling to absorb its new Iberian members.

Yet, is the Moroccan intention to apply for membership as "absurd" as all that?

Morocco conducts over two thirds of its non-oil trade with EC member countries and is prevented by decisions taken in Brussels from increasing its exports; export earnings are vital if the country is to service its heavy foreign debt, most of which is owed to EC banks.

One million Moroccan expatriates work in the EC and most Moroccans who can afford to take a holiday abroad travel to Spain, France and Italy. Meanwhile, the kingdom plays host to nearly 1.5m tourists every year, most of whom come from France, Spain, the United Kingdom and West Germany.

Many Moroccans would argue that it is disingenuous of the Community to allow free entry to job applicants when their economies are booming and then build barriers against Moroccan imports, say, of tomatoes, whose production in the EC Brussels then proceeds to subsidise.

Yet King Hassan's request goes much further than mere argument about trade or migrant statistics. It has a strategic dimension. For a quarter of a century now, as monarch of a country whose cultural, economic and military ties with Spain were once so intimate (indeed the southern Iberian peninsula was ruled from Fez and Marrakesh in the early Middle Ages), King Hassan has worked hard at casting his country as the natural bridge between Western Europe on the one hand and the Arab world and Africa on the other.

Quoting examples from the Second World War, in particular the Allied troop landing in Morocco in the autumn of 1944, the monarch would argue that the country he rules, and no doubt Algeria and Tunisia, are part of Europe's backyard.

He is well aware that Morocco today does not qualify. What he is asking the Community is to give a serious signal, showing that it understands that Morocco wishes to be more closely associated with a group of countries so vital to the kingdom's future.

Such a request deserves more serious consideration than the scorn and scepticism which initially greeted it.

Letters to the Editor

Extraordinary items

From Mr E. A. Whiting

Sir,—In spite of all the requirements of the Companies Act and the Accounting Standards of the Accountancy Bodies, there are still companies flouting a part of the Act and failing to abide by the Standards, which have been so carefully laid down after most laborious discussion and final agreement.

Lately we have had the two worst and largest cases of the misuse of "extraordinary items," putting the cost below the final profit line. Firstly, a supermarket company (Dee Corporation) has used "extraordinary item" for the cost of integration or amalgamation of subsidiary companies, while another (Argyll) has not; and secondly a bank (Midland) has used "extraordinary item" for Third World loan provisions, while two others (National Westminster and Lloyds) have not.

The differences between using "extraordinary item" or not using it, are phenomenal. From my rough calculation (without the full data available) the earnings per share of Dee Corporation in 1987 not using "extraordinary item" would be about 1p less than in 1986 instead of the 4p increase in their preliminary announcement. In the case of the Midland Bank the use of "extraordinary item" turns a large loss into a respectable profit.

When these "extraordinary items" are so large in relation to profits the result will not disappear in just one year. They will continue in five-year records showing better long-term earnings for ordinary shareholders than is deserved. They will be used in prospectuses, in marketing and in take-over bids. They will also enhance the bonuses based on profit for directors and employees and the new Profit Related Pay scheme with income tax relief. At the moment the Lex column's castigation (July 26) will be noticed in the Stock Market but very soon Lex will be taken over by the printed numbers in the company accounts.

The fact is that very large companies can have very large power. And the same applies to auditors.

The only solution is legislation policed by the DTI. In my view all the important rules such as extraordinary items, goodwill and currency translation should be enshrined in the Companies Act (Schedule 6) and only one method of accounting should be allowed. The Government has the idea of "imposing" rules where negotiation is too slow (for example, education and local rates). Why not impose the most important accounting rules into law? Where there is doubt the courts will settle it. The big auditor firms will not have the last word. Guinness was saved by good legislation in the Companies Act. The shareholders of other companies using spurious "extraordinary items" without legal protection may not be so fortunate.

Edwin Whiting,
Greybeck, 8 Spring Vale Road, Hayfield.

Pre-shipment inspection

From Mr C. E. Dunford

Sir,—I refer to Nancy Dunn's article of July 21. British exporters are indeed angry that the British Government permits Pre-Shipment Inspection (PSI) without effective regulation.

No legitimate exporter objects to an independent body ascertaining the quantity and description of goods. Independent commercial inspection has existed for decades, protecting importers and exporters against claims for non-performance.

However, we consider illegitimate the employment of an agent by the fiscal authorities of an importing country to dictate the price at which goods may be sold. The agent is not a party to the contract between buyer and seller yet can frustrate the seller's ability to be paid.

PSI agents seemed to have duped the governments of various developing countries claiming to curtail illegal outflows of foreign exchange. The beneficiaries of any illegal payments could no doubt continue to accrue them, by exempting certain transactions from inspection, and by operating through "parallel markets" where inspection is circumvented.

The agents appear to have hoodwinked the British Government by stating they do not dictate, but merely "offer an opinion on normal market prices." Many of our member companies know to their cost that an exporter who does not reflect this "opinion" of the price in his final invoice is refused a clean Report of Findings and thus does not get paid.

The majority of PSI agents are based in Switzerland where price comparison is illegal. We have heard of Swiss exporters, to a market where PSI is in force, charging six times the price dictated by the PSI agents for the same product being shipped from the UK.

In Eastern Europe, PSI is effectively non-existent, as you mention; in the Far East it is ineffectual; in many Western European competitors it is regulated either by threat of legislative control or by subtle political pressure. In Britain it operates in an unfettered manner to the detriment of British exporters.

The DTI claims unilateral British legislative action would harm trading prospects in the 23 countries employing PSI. Yet, in the past five years, the British Government has threatened or implemented legislation on trade issues against the USA, the EC and most recently Japan—our three largest trading partners.

Our members keenly await the imminent US International Trade Commission report on PSI. It will be most interesting to note the DTI's reaction if the US decides to legislate against PSI.

Campbell Dunford,
Chairman,
British Export Houses Association,
16 Dartmouth Street, SW1.

Compounding the housing divide

From Mr R. A. Hope

Sir,—John Plender's "obvious solution" to the north-south housing divide (Lombard, July 23) begs one "obvious" question. Are equity-linked mortgages to be restricted *solely* to home owners contemplating moving from a specified northerly latitude to a more affluent southerly climate? I think not!

Accordingly, if equity-linked mortgages are freely available, what is to preclude the average fat-salaried City "brain" from utilising a 50 per cent equity injection to trade up from, say, Clapham to Knightsbridge? The scenario, I would suggest, would see south-east house prices soaring exponentially into the stratosphere, thus compounding the problem of the north-south division.

Mr Plender talks purely in fiscal terms. What of the social aspects? Encouraging migration from north to south is nonsense. It only results in further debilitation of northern economies while placing unacceptable strains on the infrastructure and environment of the south. It is ludicrous that there is so much controversy in the south-east surrounding green field and high density development while there is a profusion of vacant and derelict property in the north, ripe for development.

The only sensible, equitable answer to the north-south divide is large-scale, long-term central government commitment to the regeneration of the north by far greater encouragement of commercial investment.

There may be some support for Mr Plender's quips regarding short-termism and conservation in the City but, clearly, the primary responsibility of any financial institution must be the safety of its capital base and depositors' funds.

There is little room for altruism in a free market economy!

Robert A. Hope,
The Sanwa Bank Limited,
PO Box 36,
Commercial Union Building,
1 Undershaft, EC3.

Putting PR in context

From Mr N. Hedges

Sir, — David Churchill's article on Financial Public Relations (July 23) refers to our company's brief relationship with Pirbic.

Although the relationship was indeed brief, I feel the main reason for it having been so needs to be put into context.

Our company was asked by Mr Youdale, Pirbic's managing director, to prepare a press release on the subject of a management buy-out which, at the time of our "appointment", was already historic. We made this point to Mr Youdale and indicated that, as a result, journalistic interest would be minimal.

Mr Youdale's response reflects an interesting perception of our industry; namely, that we are mainly in the business of "pushing" press stories, whatever their newsworthiness.

Although this view might prevail amongst one or two other companies, it is certainly not shared by leading journalists themselves, who do not normally react favourably to gratuitous self-promotion.

Neil Hedges,
Valin Pollen,
46 Grosvenor Gardens, SW1.

More than loneliness

From Mr S. A. Carrick

Sir, — I refer to your editorial, "Scotland feels lonely" (July 27), and in particular to the last paragraph.

Could one reason for ministers not spending more time in Scotland be that because of the devolution which already exists they say "Oh that is Malcolm and his men's responsibility."

Does a similar state not also exist within the Conservative Party itself? I understand that the Conservatives in Scotland are treated differently from those in England and Wales.

Could those two examples not be the basic cause of the poor state of the Conservative Party and Government in Scotland?

S. A. Carrick,
23, Gallowflat St,
Rutherglen, Glasgow.

FINANCIAL TIMES

Thursday July 30 1987

All aboard for Anglo-French Eurotunnel

BY PAUL BETTS IN PARIS

PROSPECTS of a high-speed train service linking Paris and London in three hours or less were given a major boost yesterday when Mrs Margaret Thatcher, the British Prime Minister, and President Mitterrand of France expressed joint support.

Speaking in the Elysee Palace during the Channel Tunnel Treaty ratification ceremony, Mrs Thatcher said that the two countries were now able "to announce our joint intention to establish high-speed train services which will operate between Paris and London from the date of the opening of the tunnel" in 1993.

Although complex negotiations will still be necessary, the political commitment given yesterday for such services removes one of the last major remaining obstacles for the Anglo-French Eurotunnel consortium.

Mr Alastair Morton, British co-chairman of Eurotunnel, said that the decision to give the green light for high-speed trains was significant for the project since it will enhance its commercial viability. It is also likely to give Eurotunnel a boost for the consortium's $750m ($1.2bn) public equity issue in the autumn.

Mrs Thatcher said the high-speed train link would be "a vital step towards the development of a Europe-wide network of high speed trains".

The ratification ceremony now completes the constitutional and judical process giving the Eurotunnel consortium a 55-year concession to build and operate the fixed link.

President Mitterrand declared that the Elysee ceremony yesterday was "another important step in the construction of Europe".

Mr Paul Channon, the British Transport Minister, said the high-speed trains would make the London to Paris service quicker and more attractive. He said the trains between Paris and London would have to do the journey in no more than 3 hours 15 minutes if the tunnel rail service was to compete against other forms of transport.

However, the French and British railways still have to resolve a number of technical and financial problems.

France, which has gained a distinct edge in high-speed train technology with its TGVs ("Trains a Grande Vitesse"), is anxious to develop a high-speed train network linking Paris with Belgium, Germany and the Netherlands as well as the tunnel.

The French authorities have argued for a greater share of railway revenues from the Channel Tunnel traffic to reflect the larger infrastructure investments expected to be carried out on the continental side of the fixed link.

Another issue involves the development of the necessary high-speed train technology for the London-Paris link, since the rolling stock of each country is currently incompatible.

Mr Jacques Douffiagues, the French Transport Minister, has suggested the constitution of an Airbus-type European consortium of railway equipment manufacturers. His suggestion, however, does not appear to have caused an enthusiastic response on the British side.

The light at the end of the Eurotunnel. Page 6

Sony warns of compact disc war

BY DAVID THOMAS IN SALZBURG

SONY predicted a shake-out among European compact disc manufacturers yesterday when the Japanese electronics group opened its new compact disc factory in Salzburg, Austria, the first Japanese music pressing plant in Europe.

Sony, whose plant will add considerably to European capacity, confirmed fears previously expressed within the industry that compact disc capacity was outstripping demand for the first time.

The Japanese group also outlined ambitious plans for boosting its activities in Europe further in the next three years. It is considering building a European component plant, particularly if the European Commission takes anti-dumping action against imported Japanese components.

Compact disc sales worldwide were about 150m last year, with about 40m in Europe, and Sony said it expected these figures to double this year.

The Salzburg plant's initial capacity will be 12m discs a year, giving Sony an annual worldwide capacity of 120m discs. Sony is intending to double capacity at Salzburg to 24m discs by the middle of next year and the Salzburg site could accommodate a further doubling.

However, Sony is just one of many companies throughout the world bringing on stream new plants in an attempt to meet resurgent demand for compact discs which started last year.

Mr Jack Schmuckli, president of Sony's European operations, said there was now over-capacity in the compact disc industry for the first time. Although demand would once again outstrip capacity in the run-up to Christmas, excess capacity would reappear next year, he predicted.

'I feel that one of the reasons there is an excess capacity building up all over the world is that a lot of non-industry investment - venture capital type investment - went in because compact discs sounded OK. Quite a lot of these investors know nothing about the industry,' Mr Schmuckli said.

He predicted that some of these concerns would be forced out of business next year, particularly in Europe, where excess capacity was greater than in the US, because competition was increasingly focused on quality and speed of delivery.

With the help of 19.5 per cent grants from Austria, Sony is investing Sch 600m ($46m) in the first phase and Sch 200m in the second phase of the plant, which uses latest technology and will have round-the-clock working. Sony is aiming for a delivery time of one week against an industry average of three to four weeks.

CBS of the US, which has a 25 per cent stake in the Salzburg plant, will be the factory's main customer at first, but Sony is seeking other customers.

Mr Schmuckli would not be drawn on whether compact disc prices would fall as a result of the over-capacity, saying that was as much a question for the record companies and dealers.

He also disclosed that as part of Sony's plans to double overseas production to 40 per cent of total sales in the next three years, Sony's operations in Europe would expand considerably. The share of Sony's European sales accounted for by European production could rise from about 30 per cent now to 45 to 50 per cent.

It was considering building a plant for components for its European audio-visualproducts. Final decisions on this factory, which would need to be situated in a centre of high-precision engineering, would depend on several factors, including whether the European Commission took anti-dumping action against imported Japanese components.

Sony confirmed it would soon start selling in Europe the revolutionary sound system called digital audio tape (DAT), probably next year, after showing it at an electronics fair in Berlin next month.

If European demand took off, Sony might start making DAT machines at its plant in France, Mr Schmuckli said.

CBS, which has been part of the music industry lobby trying to get its anti-copying device embodied in compact discs and DAT machines, has not asked Sony to put these devices in the compact discs being made for it in Salzburg.

Men and Matters, Page 14

Chernobyl chief sent to jail for 10 years

By Patrick Cockburn in Moscow

THE MAN in charge of the Chernobyl nuclear power plant at the time of the world's worst nuclear accident last year, Mr Viktor Bryukhanov, was yesterday sentenced to 10 years in prison.

The Soviet news agency Tass said last night that Mr Bryukhanov had arrived at the power station half an hour after the accident but failed to take effective measures. "Wishing to convey a false impression that everything was all right, he did not order an urgent evacuation of people from the affected zone although he was correctly informed about radiation levels in the town of Pripyat and at the station", Tass added.

Responsibility for the slowness of the evacuation - 49,000people from Pripyat, five kilometres from the plant, were not evacuated until 36 hours after the disaster - has been a major topic of discussion ever since the accident. Tass also said Bryukhanov was found guilty of failing to ensure that others followed instructions on nuclear fire and radiation rules and "personally violated many mandatory documents directly concerning his duties".

Also jailed for 10 years each were Mr Nikolai Fomin,the former chief engineer at the plant, and Mr Anatoly Dyatlov, his deputy, after a three-week trial in the small town of Chernobyl, which is 12 miles from the power station.

The three admitted professional responsibility for the explosion at reactor number four on April 26 last year but had denied criminal liability. Some 31 people died in the immediate aftermath of the accident. Judge Raimond Brize said on passing sentence that there was "an atmosphere of lack of control and lack of responsibility at the plant."

A lesser sentence of five years was passed on Mr Boris Rogozhkin, the shift chief in charge of reactor number four on the night it exploded, and Mr Alexander Kovalenko, in overall charge of the same reactor, got three years. Another senior engineer, Mr Yuri Laushkin, was sentenced to two years.

Although the Soviet authorities have been keen to show that those responsible for the Chernobyl disaster are being punished, there have been very limited accounts of the court proceedings in the press. No details have been provided about the case for the defence.

None of the accused showed any emotion when sentence was passed although some of their watching relatives broke down in tears. The information director for Chernobyl said of the trial: "There were no hysterics. It was normal."

The Soviet authorities have blamed human error for the accident and not the design of the RBMK-1000 reactor. This led those in charge of an experiment conducted on reactor number four on the night of the disaster to switch off all safety devices.

Chernobyl town and a large area around the plant are still evacuated and it will be some time before most of the 135,000 removed from the contaminated area will be able to return home.

Chinese President to retire in autumn

BY ROBERT THOMSON IN PEKING

President Li: ready to join the rearguard

PRESIDENT LI XIANNIAN of China revealed yesterday that he intends to retire at a Communist Party congress later this year, indicating that there could be a mass resignation of elderly leaders at the congress.

Chinese officials have hinted that the party leadership, which is ridden with octogenarians and septuagenarians, would be overhauled, but the President is the first to admit that he will step down from the politburo.

President Li, 78, told Mr Makoto Tanabe, the visiting secretary-general of the Japanese Socialist Party, that he would "join the rearguard" after the October congress: "It would be much better if the leaders were in their 40s, 50s, and 60s," he said.

Japanese sources said the President suggested that "old people become ill" and should not have leadership responsibilities. Even although he will lose his party posts at the party congress, Li will not formally lose the head of state title until the National People's Congress, China's version of a parliament, approves a replacement.

The more elderly leaders to resign in October, the more of a victory for the paramount leader, Deng Xiaoping, 82, who has attempted to introduce a retirement scheme for the fading geriatrics who dominate the upper ranks of the party.

Several elderly officials are known to be fighting plans to pension them off, fearing the loss of power and that the Communist Party will become too "liberal" if too many veterans retire. Other senior officials, before agreeing to step down, apparently want to ensure that their replacements will be in their own political image.

While President Li - who also plans to give up his place on the elite politburo's standing committee - has been in poor health in the past year, he has been seen more regularly in public in recent months, fuelling speculation that he was resisting attempts to force him to retire.

The President, a Long March veteran, has had a remarkably stable career for a Chinese politician. Most of his present comrades were purged during the Cultural Revolution (1966-76), but he was elevated to the politburo in 1969 and to the presidency in 1983.

He is sometimes referred to as the "weather vane" for his skills in judging changes in the political wind

Paris ready for lengthy struggle

Continued from Page 1

tance himself from the policy of "normalising" relations with Iran, begun by Mr Chirac when he came to power in March 1986. But the two rivals for next April's presidential election seem to be in agreement on the policy to be followed now that relations with Iran have broken down.

Although the Communist Party has criticised the decision to send the naval squadron to the Gulf, the most discordant note so far has come from former President Valery Giscard d'Estaing, now chairman of the foreign affairs committee of the National Assembly.

Urging his country to adopt a "low profile" in the Middle East, Mr Giscard encouraged the government to try to imagine the likely responses of other countries to its actions, like a chess player who does not simply consider his own next move.

Foreign Ministry officials retort that, while chess may be Persian in origin, the current government in Tehran does not play by the rules.

EC Commission seeks stronger powers to curb farm spending

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission yesterday outlined a series of potentially radical new ideas for controlling the EC's spiralling agricultural spending.

In what represents a new effort to keep financial support for individual farm products within target in future years, the Commission announced that it will be seeking fresh powers from member states automatically to cut the EC's guaranteed farm prices or reduce purchases of unwanted food when production exceeds certain specified limits.

The plan was formally unveiled in Brussels yesterday by Mr Frans Andriessen, the EC's Agriculture Commissioner, who immediately identified the constitutional issue as the key question.

"If the Council (of Ministers) is not prepared to establish mechanisms either so automatic in their application that they work immediately or to give power to the Commission to take the decisions...the whole idea can be forgotten".

Mr Andriessen took the opportunity yesterday to warn the United States that the EC was not planning to embark on a new chapter of Common Agricultural Policy (CAP) reform in isolation from the rest of the world. "What the EC is doing will have to be matched by others", he said in a clear hint to Washington. "We can't have a situation where we take far-reaching measures which have considerable and real effects if others do not make an effort to bring about a balance between supply and demand."

Just how far-reaching the Commission's new strategy will be is not yet clear. A number of new ideas for controlling spending in the cereals, wine, beef and sheepmeat regimes (including an explicit commitment to propose the ending of the variable premiums enjoyed by British sheep and beef producers) are set out in yesterday's memorandum which was formally adopted at a meeting of Commissioners.

The main significance, however, is the establishment by the Commission of the principle that Brussels ought to intervene immediately spending gets out of control rather than relying on the annual price fixing decisions by farm ministers to take corrective action.

Yesterday's initiative comes at a time when farm spending in the Community is already Ecu 5bn - Ecu 6bn (between $5.6bn and $6.7bn) above the budgeted figure for 1987. But the timing has been influenced more by the negotiations which will dominate Community policy discussions over the next few months on plans for an increase in the EC's budgetary resources.

Background, Page 2.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	27	81	Malta	S	30	86	Rhodes	S	29	84
Algiers	S	33	91	Edinburgh	F	20	68	Manchester	C	17	63	Rio de J'o	S	25	77
Amsterdam	C	18	64	Faro	S	23	73	Manila	C	33	91	Rome	S	27	81
Athens	S	32	90	Florence	F	30	86	Melbourne	R	10	50	Salzburg	F	16	61
Bahrain	S	40	104	Frankfurt	C	17	63	Mexico City	-	-	-	San Francisco	C	14	57
Bangkok	S	35	95	Funchal	S	24	75	Miami	F	33	91	Seoul	R	23	73
Barcelona	S	25	77	Geneva	S	24	75	Milan	F	26	79	Singapore	-	-	-
Beirut	S	33	91	Gibraltar	S	27	81	Montreal	S	13	55	Stockholm	R	12	54
Belfast	C	12	59	Glasgow	F	20	68	Moscow	C	22	72	Strasbourg	F	23	73
Belgrade	F	23	73	Guernsey	C	16	61	Munich	C	18	64	Sydney	R	15	59
Berlin	R	13	55	Helsinki	C	17	63	Nairobi	F	25	77	Taipei	R	29	84
Biarritz	C	20	68	H. Kong	C	29	84	Naples	F	28	82	Tangier	S	25	77
Bombay	-	-	-	Innsbruck	S	21	70	Nassau	S	33	91	Tel Aviv	S	34	93
Bordeaux	C	21	70	Inverness	C	17	63	New Delhi	F	36	97	Tenerife	S	29	84
Brussels	F	18	64	Islamabad	S	23	73	New York	S	19	66	Tokyo	S	35	95
Budapest	C	22	72	Istanbul	F	27	81	Nice	S	24	75	Toronto	S	16	61
B. Aires	F	16	61	Jakarta	C	34	93	Nicosia	S	42	107	Tunis	S	30	86
Cairo	S	37	99	Jersey	D	16	61	Oporto	S	22	72	Valencia	C	26	79
Cape Town	D	17	63	Jo'burg	S	19	66	Oslo	F	18	64	Venice	S	26	79
Caracas	C	26	79	Lima	C	21	70	Paris	C	20	68	Vienna	C	21	70
Casablanca	S	25	77	Lisbon	S	24	75	Peking	C	31	88	Warsaw	C	18	64
Chicago	F	22	72	London	R	19	66	Prague	C	16	61	Washington	-	-	-
Cologne	C	15	59	Los Angeles	C	17	63	Reykjavik	C	11	52	Zurich	F	22	72
Copenhagen	C	14	57	Luxembourg	C	19	66								
Corfu	S	32	90	Madrid	F	30	86								
Dallas	S	33	91	Majorca	S	29	84								
Dublin	F	18	64	Malaga	S	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Sri Lankan peace accord

Continued from Page 1

Yesterday's riots brought the total number of dead in two days of disturbances to about 40. Hundreds of people were injured.

The centre of Colombo was deserted as Mr Gandhi arrived amid tight security for the final negotiations with President Jayawardene. The president later showed little concern about political and public opposition and said he would dismiss the island's parliament if it rejected the deal.

India will be sending observers to monitor the ceasefire and it is also preparing to send a military peace-keeping force within a few days if requested by the Sri Lankan Government. The arrival of Indian military would almost certainly be generally unnacceptable to a wide body of opinion on the island.

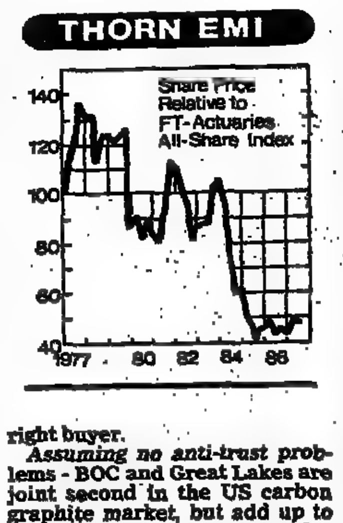
But Mr Jayawardene has also made concessions in an exchange of letters with Mr Gandhi on other key international issues which India has believed for some years threaten its own position as a non-aligned country more closely tied to the Soviet Union than the US.

The leaders are to reach an "early understanding" about the relevence and employment of foreign, military and inteligence personnel and India is to provide Sri Lanka with military training and supplies. This is to stop Sri Lanka using Pakistan, Israel and freelance agencies for military training.

India's concern about the deep water port of Trincomalee being used by the US as a major base has been met by an agreement that it would not be made available for uses "prejudicial to India's interests". India, rather than other Western countries, is jointly to develop strategically important oil tanks

THE LEX COLUMN

Planting a Thorn in Wichita



It has to be said: Thorn EMI does not have a distinguished acquisitions culture. The deal to buy EMI was the undoing of Sir John Reed, while the Inmos purchase was enough to ditch Peter Laister. So Colin Southgate, fresh new chief executive, must be well aware of the price of failure, should the £371m to be paid for Rent-A-Center be money ill-spent.

Ironically, the heap of unsold body-scanners which so devasted EMI is a main reason why Thorn can justify this deal. The company has about $100m of US tax losses, which it will set against the profits from Rent-A-Center. Without that, the deal would be lousy for earnings per share: a company on a prospective multiple of about 18 is using paper to buy a company on a multiple of 43 times estimated 1987 earnings. Thorn's claim is that tax losses bring the exit multiple down to about 20, involving dilution of only 3 per cent to this year's earnings per share.

Thorn's strategy at least, is not questionable. It has raised £364m in selling 41 businesses which made aggregate pre-tax losses of £20m, but is still left with businesses which range from the mature (UK TV rental) to the intolerable (Inmos). But since Rent-A-Center will not enhance earnings until the next decade, it is easy to understand the market's nerves: the Thorn share price plunged 40p before coming back to close at 744p, down 12p on the day.

The normal logic behind an acquisition is that the whole is worth more than the sum of the parts. It is difficult to see how that can be so in this case, unless Thorn's purchasing power in Europe can be used to get better terms for Rent-A-Center in its own market. Perhaps the biggest smiles should be on the faces at Goldman Sachs, which has become the first US house to lead underwrite what is effectively a big UK rights issue.

BOC

It has been a long and bumpy road for BOC, but the sale of its carbon graphite business almost clears it from its past mistakes. Not wholly, perhaps; the needle coke business being retained rather spoils the smooth profile of a gases and healthcare company. But it is apparently profitable and cash-positive, so BOC can wait to find the right buyer.

Assuming no anti-trust problems - BOC and Great Lakes are joint second in the US carbon graphite market, but add up to only half the market leader Union Carbide - BOC gets £100m in cash now, with a short £20m to follow. That does much to strengthen the balance sheet of a group which has never been shy of gearing anyway, and points to a renewed phase of acquisition, presumably in healthcare.

Given the group's history, that is a thought to give pause. But BOC is evidently cured of the delusion, common among gases companies a decade ago, that the thing to do with cash flow from gases is to throw it at businesses you know nothing about. The current spending programme in gases runs to several hundred million, and healthcare, though patchy, is still the only major success in the company's history of diversification.

Although yesterday's news was not unexpected, relief sent the shares up 24p to 552p - at long last on a market rating. Short of fresh upsets - in Glasrock, for instance - they could yet go to a premium.

Mercantile House

Mercantile House's final results are just as bad as expected. At first sight they justify the company's acceptance of the bid from British & Commonwealth as fair and reasonable, with the exit p/e not far short of 30.

However, the downturn in earnings can in large part be blamed on the £8m exceptional loss in Australia and the near 60 per cent tax charge. Meanwhile wholesale broking, mainly Marshall the money broker and William Street the US Treasury market inter-dealer broker, increased profits by 36 per cent to £40.9m - and this is one of the parts B & C wants to sell. B&C itself paid six times historic pre-tax profits for RMJ, another US IDB, in March, and Marshall is a classier business than William Street. So estimates of sale value could be nearer £300m than £250m. And if Alexanders Laing & Cruickshank's book value is £75m despite the losses, then B&C could get the fund management business, which made £15.9m pre-tax, for about £130m.

That tends to support Quadrex Securities' claim that B&C's offer is on the low side. But an offer on the table is always worth more than one in the bush. Mercantile's shareholders, who by now must be thoroughly confused, at least have the comfort that if B&C does get a bargain it should push up the price of the shares they take.

Takeover Panel

The Takeover Panel's latest attempt to reinvigorate its drooping credibility has the most direct bearing on the Guinness debacle and thus smacks - more than other recent measures - of political tokenism. While it is quite proper to remind all directors that they have a duty to prevent takeover cabals from flouting the Code, it is difficult to envisage how the outsiders can properly monitor determined evaders. The ebb and flow of a vigorous board meeting every two or three days (during a bid) might sniff things out, but the Panel stops short of proposing this - presumably conceding that someone has to continue running the companies. And, in any case, it appears that during the Guinness bid, even insiders did not know what was going on.

The Panel's central weakness remains its reactive and trusting nature, and the quest for more "whistle-blowers" must be applauded. The trouble is that the directors of a mis-behaving company may not make the best blowers, particularly in those grey areas which pepper the Code. A better way of encouraging companies and advisers to consult the Panel rather then their lawyers would be for the Panel to renounce its tendency to split the difference between opposing parties.

INTERNATIONAL APPOINTMENTS

Apollo computer poses new head a welcome task

BY LOUISE KEHOE IN SAN FRANSISCO

THE CHALLENGE for many top executive appointees is to boost sluggish sales and profits. Not so at Apollo Computer, the US workstation (computerised desks) manufacturer which has announced the appointment of Mr Roland D. Pampel as president and chief operating officer.

Apollo, with a first quarter earnings rise of no less than 630 per cent, its problem may be to control, rather than to create growth.

In the fast-paced computer workstation market, Apollo is a US leader. For the first quarter of 1987, the company earned $7.60m on sales of $132.2m, up from earnings of $1.04m on sales of $88.4m in the same period last year.

That is not to say that Mr Pampel will not have his work cut out for him. As the workstation market flourishes, it is attracting the attention of some of the "big boys" of the US computer industry; IBM, Digital Equipment and Hewlett-Packard, for example. Maintaining a technical lead over such giants will not be easy for Apollo.

Since joining Apollo early last year, Mr Pampel has "earned his stripes" as senior vice president in charge of manufacturing, technology and marketing. As president he will add responsibility for US sales, Federal systems and customer relations.

Mr Pampel takes over from Mr Thomas Vanderslice, who remains chairman and chief executive of Apollo, and who will continue to oversee a large number of day-to-day operations.

Westinghouse succession move

THE WESTINGHOUSE CORPORATION, the diversified Pittsburgh' company intends to elect Mr John Marous, Jr, chairman and chief executive officer, with effect from January 1, when Mr Douglas Danforth retires from those posts at the age of 65.

Mr Marous, 62, is now president of the Westinghouse Industries and International group.

The company also intends to elect Mr Paul Lego, senior executive vice president, corporate resources, as president, chief operating officer and a director from the same date. Mr Lego, it is planned, is to take over eventually as chief executive.

* * *

MR RAYMOND L. EMMITT has been appointed to the board of Republic National Bank of New York (Gibraltar), the subsidiary of Republic New York Corporation, the international bank holding company with assets exceeding $20bn.

Mr Emmitt was vice chairman of Coopers & Lybrand in the UK until his retirement in 1985. He currently acts as a consultant to the Spanish arm of Coopers & Lybrand, in the setting up of which he was involved.

* * *

UNION BANK of Switzerland, one of the Big Three Swiss banks, has appointed Mr Stephen Haeringer, head of its investment counselling and portfolio management department, worldwide, an executive vice president.

Mr Urs B. Rinderknecht, head of regional management for Japan, takes a similar position. Dr Peter Gross, executive vice-president, has retired from the board.

UK chief of Mercedes-Benz goes to America

By Our Financial Staff

Mr Erich Krampe, the former managing director of Mercedes-Benz (United Kingdom), is to be the new president of Mercedes-Benz North America (MBNA). Since leaving the UK in 1983, he has been in charge of the Daimler-Benz division responsible for sales to international marketing subsidiaries such as the UK and America.

Mr Krampe was trained as a banker, and joined Daimler-Benz, based in Stuttgart in 1966.

The appointment comes following the news that Mr Walter Bodack, the current president of MBNA is to retire at the end of the year on health and personal grounds.

American Brands expands board

AMERICAN BRANDS, the Connecticut-based, diversified tobacco group, has expanded its board of directors from 17 to 18 with the election of Mr Howard Humphrey.

Mr Humphrey is chairman, president and chief executive of Franklin Life Insurance Company, the offshoot of American Brands.

Comsat president moves on to other interests

BY OUR FINANCIAL STAFF

COMMUNICATIONS SATELLITE, the leading US-based operator of telecommunications and broadcasting links, otherwise known as Comsat, has announced that Mr Marcel Joseph, its president and chief operating officer, is to resign in the near future, "to pursue other business interests," after some two years with the company.

Comsat is now in the throes of restructuring, which has resulted in its taking a $96m charge in its second quarter.

Mr Joseph was appointed an executive vice-president of Comsat in April of 1985, and took up the posts of president and chief operating officer in October of that year.

Mr Irving Goldstein, chairman and chief executive of the Washington concern, says: "I am personally sorry Marcel has decided to leave Comsat." He had guided, says Mr Goldstein, the company through an "extremely tough" period.

He had, however, essentially accomplished his purpose at Comsat, which was to restructure the company, with the selling off of unwanted businesses and lines, or their being written off, as well as tackling an overheads problem.

Morgan Grenfell

Mr James E. Minnick has been appointed executive vice president and a member of the board of Morgan Grenfell Capital Management and of Morgan Grenfell Investment Services.

Mr Minnick is to undertake responsibility for overall marketing and sales organisation, for client relations, for new business and new product development for both Morgan Grenfell Capital Management, which manages equity investments in US markets, and Morgan Grenfell Investment Services, which manages equity and fixed income investments around the world for North American clients.

Morgan Grenfell Capital Management was set up late in 1985, and manages domestic US equity portfolios for its domestic and international clients.

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The appointment of the Financial Controller is one element in the strengthening of top management. The need has arisen mainly from the rapid expansion in the range of business handled and number of personnel. However, the Financial Controller will have a key role in ensuring compliance with the financial regulations of the Securities Association and other supervisors, in addition to the traditional duties of financial and management accounting. The Financial Controller will report to one of the joint Managing Directors. The role carries responsibility for an accounts staff of 8 and indirect responsibility for monitoring the operations of a large DP department.

Candidates should be qualified accountants, with between 5 and 10 years' post-qualification experience. They should be familiar with the financial sector and have demonstrated their ability to work with sophisticated systems in a fast-moving environment. A flexible attitude and the potential to grow within an expanding dynamic company are key requirements.

Please write, with full career details to Jane Woodward, quoting reference Y2070.

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Candidates should be chartered accountants in their late 20s seeking to leave the profession and able to show considerable drive and enthusiasm in their progress into management. Exposure to the financial services area would be useful. Emphasis will be on strong interpersonal skills along with the ability to keep up to date with, advise on and control changes in a fast moving environment.

Please reply in confidence, giving concise career, personal and salary details quoting Ref: ER938 to:
Michael Fahey,
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The remuneration package, which is negotiable, will include an attractive basic salary, bonus potential and an executive car.

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European Division Controller

West Country **c.£28,000 + Car + reloc.**

Parker Hannifin is a US based multi-national corporation and a world leader in fluid power technology. Their sales are in excess of $300 million in Europe and nearly $2 billion worldwide. Rapid growth through product development and acquisition, together with an outstanding financial performance, provide a dynamic environment for career development.

A vacancy now exists for a European Controller at one of their Connector Group Divisions. The division manufactures and distributes quality connectors for such high tolerance applications as in the power generation and off-shore industries. This is a truly European division, with its headquarters and major manufacturing facility in an attractive West Country location.

Reporting to the Division General Manager, you will be a key member of a young management team.

You will have total responsibility for the financial function, which includes corporate planning, forecasting and budgetary control.

A fully integrated state-of-the-art computerised system is in place backed up by sophisticated management techniques, including MRPII.

Candidates should be graduate accountants with at least 4 years' post qualified experience in a similar environment. Strong communication skills are essential and you will be able to demonstrate a high level of commercial ability and a shirt-sleeves approach.

Interested applicants should write enclosing their C.V. to
Wayne Thomas, Michael Page Executive Division,
29 St. Augustine's Parade, Bristol BS1 4UL.

MP

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

CREDIT RISK MANAGER

c. £23K neg + car **Sutton, Surrey**

This client is a major subsidiary of one of Britains best known companies involved in the distribution of a diverse range of consumer products with reported turnover of £80M. They now seek to recruit a dynamic professional to control and re-vitalise their credit management operations within the UK, covering some 14 sites.

Reporting to the Finance Director your role will include:

- **Establishing, managing and developing a team of credit controllers**
- **Implementation of a new computerised credit management system**
- **Responsibility for credit awareness throughout all operations**
- **Formulation of corporate policies affecting growth and profitability**

The successful candidate is likely to be between 30-40 and will have a proven background in credit management at a practical level and within f.m.c.g. style environments. The possession of high levels of drive and ambition coupled with excellent communications and interpersonal skills are essential.

The package will include company car, non contributory pension, BUPA and 24 days leave pa. Relocation assistance is available where appropriate.

mh

Interested applicants should contact Simon Hewitt on 01-488 4114 or write to him quoting reference A055 at Mervyn Hughes International, 63 Mansell Street, London E1 8AN.

Stockbroking

Operations Director

Liverpool *c. £30,000 + benefits*

A major UK bank seeks an Operations Director for its expanding stockbroking business based in Liverpool.

Reporting to the Group Finance and Operations Director the person appointed will take complete responsibility for effective operational management of the private client agency business and ensure that recently implemented controls and procedures are maintained.

Candidates for this important senior appointment are likely to be aged 30-45 and should have substantial relevant experience in stockbroking or investment management. However, an experienced accountant with proven management and leadership ability, may find this appointment an opportunity for moving into the Financial Services Sector.

The remuneration package will include a performance related bonus, a non-contributory pension scheme and other benefits. Sufficient flexibility is available to meet the expectations of an exceptional candidate.

Please reply to Alison Hawley, in strict confidence with details of age, career and salary progression, education and qualifications, quoting reference 5019/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

BUNZL

GROUP MANAGER – OPERATIONS REVIEW

PACKAGE TO £30,000 + CAR

Bunzl is a major international company with interests in paper, plastics, distribution and transportation in the UK, USA, Europe, Australia and the Far East. With sales of over £1,000 million and *profits growth of 50% p.a., it is one of the most exciting* companies in the UK Top 80.

Bunzl's rapid expansion has lead to the creation of a new position, reporting to the Group Controller – Operations and Audit. As Group Manager, you will provide 'hands-on' leadership to a team of qualified accountants in the review of operations and internal control arrangements. You will have the opportunity to travel extensively, particularly within the United States.

We are looking for a graduate qualified accountant who has trained with a major accounting firm or industrial company. You should be able to demonstrate accomplishment in internal or external audit, and a record of achievement in your career development. Language ability and/or computer audit experience would be a plus. You are likely to be in your late twenties to mid-thirties. An excellent remuneration package, including relocation assistance where necessary, is available.

We also have similar vacancies at a less senior level for accountants with 1-2 years PQE.

There are excellent prospects for promotion to line management for each position.

To apply, please send your c.v., including details of your current remuneration, to:

A.S. Knighton, Group Personnel Manager
BUNZL PLC, FRIENDLY HOUSE, 21-24 CHISWELL STREET, LONDON EC1Y 4UD

FINANCIAL CONTROLLER

(Director Designate)

N. E. Manchester — **c18k plus benefits**

An International Chemical Group seeks a dynamic, self-motivated, qualified accountant to head up the Accounting and DP functions of the UK manufacturing headquarters.

Reporting to the Group F.D., the applicant will be expected to play a significant role in the control and development of the management reporting functions within well-defined computerised systems.

Applicants, aged around 30, should have had several years post-qualification experience in a manufacturing environment and should be an effective communicator with non-financial personnel.

Excellent career prospects with this privately controlled group, looking forward towards a share flotation.

It is anticipated that the successful applicant will be appointed F.D. within a period of 2 years, when a company car will be provided.

Please supply full C.V. to:
Mike Hirst, Group Financial Director
MANRO PRODUCTS LTD.
Bridge Street, Stalybridge, Cheshire, SK15 1PH

manro
ORGANIC CHEMICAL MANUFACTURERS

Financial Controller.

HIGH-TECH MULTIPLE RETAIL AND COMPUTER SALES

Shadow UK own the Tecno and Fox Talbot camera/video stores (No.1 Nikon/Hasselblad dealers). Also Morse Computers, selling IBM and Compaq to corporates. Our Financial Controller will be graduate ACA/FCA, 27-35, business oriented, achievement driven, capable of growing with the company. New, spacious offices near Heathrow. Write to J. Britten, Director, Shadow UK, Hampton Farm Ind Est, Feltham, Middx.

Divisional finance director

West Midlands, c£30,000 + car

C&L

Part of a major British group, this £35m turnover division manufactures a range of advanced electronic equipment for industrial and defence applications.

In this extremely important position you will report to the Divisional Managing Director with responsibility for the total finance function in this multi-site environment. Working through local Financial Controllers, your priorities will be to ensure the continuous development and improvement of MIS, provide decisive financial leadership of the planning process and exercise overall financial control and balance sheet management. You will deal with major customers at the highest level in the UK and overseas.

A qualified accountant, probably aged up to 40, your experience should be solidly in manufacturing. You will need to know your way around a production site and if you are experienced in a hi-tech contracting industry, then so much the better. Importantly you will need wider commercial awareness to make the important contribution that is essential to the strategic planning and direction of the business.

Résumés please, including a daytime telephone number, to David Owens, quoting Ref. D251.

Coopers & Lybrand Executive Selection

Coopers & Lybrand Executive Selection Limited
43 Temple Row
Birmingham B2 5JT

Financial Planning & Control

c.£24,000 + car

A confident and commercially minded professional is required to lead a department working with the business managers on tactics and strategies for their separate marketing divisions within the UK subsidiary of a major American computer group.

The job involves providing a comprehensive service to divisional management for all aspects of management information, financial planning, reporting and control, and business administration. It is a high profile position reporting to the Finance Director, and candidates must combine first class presentational skills with high technical standards.

Applicants should be qualified accountants age 28-35 with either all round experience in a smaller company or specialist experience in a multinational. Specific knowledge of marketing cost control, contract pricing and new project/business evaluation would be particularly relevant. Location West London.

Please apply in confidence quoting ref. L315 to:

Margaret Mitchell
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

INTERNATIONAL CENTER FOR AGRICULTURAL RESEARCH IN THE DRY AREAS (ICARDA)

VACANCY

Financial Controller and Treasurer

THE INTERNATIONAL CENTER FOR AGRICULTURAL RESEARCH IN THE DRY AREAS (ICARDA) HAS AN OPENING FOR THE POSITION OF FINANCIAL CONTROLLER AND TREASURER

GENERAL
ICARDA was established in 1977 to undertake research relevant to the needs of developing countries and specially for agricultural systems in West Asia and North Africa. ICARDA, with headquarters at Aleppo, Syria, is one of 13 international agricultural research organisations which are supported by the Consultative Group on International Agricultural Research (CGIAR).

POSITION
The position of Financial Controller and Treasurer is a senior management level in the Center. The incumbent will be responsible for ensuring an effective financial management system maintained to provide information and advice to management; responsibilities include overall accounting functions, cash management, administer, co-ordinate and control the budget, internal and external financial reports, strengthening internal controls, also serve as Treasurer to the Board of Trustees.

QUALIFICATIONS
Applicant must be over 35 years of age, fluent in spoken and written English.
—Hold a recogniseed professional accounting or financial management qualification
—Have relevant international experience
—Ability to work with people of different disciplines and nationalities
—Knowledge of computerised system and experience in the use of mainframes and microcomputer is necessary

International salary and benefits are offered.

Candidates should send their curriculum vitae to:

The Director General, ICARDA
PO Box 5466, Aleppo, Syria
to reach latest by 20th August 1987

FINANCE DIRECTOR

NE London £30,000+car

Our client, a young and progressive sales company, is heading for a USM listing later this year. Driven by a dynamic management team and building on a strong reputation for sales and support, the company has achieved substantial growth both organically and through acquisition, to achieve a turnover of £14 million. Further development plans are ambitious and designed to establish the company as a recognised leader in the field of office automation products.

The company now seeks a self-motivated and talented young Finance Director with the commitment and drive to successfully take the company onto the market. As a member of the management team, the Finance Director will provide input to all strategic business planning decisions and will be responsible for the sound financial management and control of a fast-growing operation.

The successful candidate will be a qualified, preferably chartered, accountant. Commercial experience and strong technical skills are essential to ensure the future success of the company and guarantee its financial health. Previous involvement with company flotations, acquisitions or investigations is particularly relevant. Equally important is a strong, tough-minded personality, the motivation to succeed, and the desire to contribute to a company's success.

The rewards are excellent and will include equity participation in the future.

Please reply in confidence, enclosing full career details and quoting reference C7277 to Joanna Corr.

KPMG Peat Marwick McLintock
Executive Selection & Search
9 Creed Lane, London EC4V 5BR.

FINANCIAL DIRECTOR

Response Company is a young, rapidly-expanding, high-tech company positioned to exploit expanding new markets. This has created the need for a Financial Director with flair and enthusiasm to underpin the management team in building a multi-million pound world-wide industry.

We require an energetic, ambitious, fully-qualified industrial management accountant with wide-ranging experience and the determination to forge an outstanding career from this unique opportunity.

Applicants must have a successful track record in comprehensive management accounting and control, systems planning and development, EDP operation and personnel administration.

Expected age range is 28 to 40 years with a salary package of circa £28,000 plus car, profit-sharing and other benefits. Salary will not be a limiting factor to high-calibre candidates.

Apply with full curriculum vitae to:
Managing Director
RESPONSE COMPANY LIMITED
77 Wales Street, Winchester
Hampshire SO23 8EY

RESPONSE

Financial Director (Designate)

Northern Home Counties — **c£35,000 + Executive Car**

Our client is an expanding £10 million turnover, profitable, private company operating in the service sector. Established in the late 1970's, the company has an unrivalled reputation for providing a quality service in the Home Counties area.

This company has reached an exciting stage in its development. Growth plans include acquisitions, additional operating sites, and a flotation within the next two years.

As a result the company has identified the need to appoint a dynamic Financial Director (Designate), with the ability to assume a broad management role.

The successful candidate will be a Chartered Accountant aged 30-35, with several years' experience in a commercial role, including exposure to flotations/stock exchange. Equally important is a shirt sleeves approach to developing the company's management, and accounting systems. A service industry background would be advantageous, but not essential.

If this position is of interest to you, please submit your CV to: Wayne Thomas, Michael Page Executive Division, Kingsbury House, 6 Sheet Street, Windsor, Berkshire SL4 1BG.

MP
Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St.Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

It takes a realist to realise potential

Tax Manager-Planning c.£30k+benefits+car

You are a qualified Chartered or Certified Accountant, with at least ten years' experience of all aspects of UK taxation – or you may be a similarly experienced HMIT (Principal Grade). Whatever the case, you are now ready to utilise this knowledge and experience in order to realise your considerable potential.

At Occidental we are in a similar position. We are a major international oil company with a turnover running into many millions of US dollars – yet our potential far exceeds even this. As a matter of policy we have acquired extensive acreage and as the technology to exploit these fields becomes available, we will reap the rewards for many years to come.

It is in this environment of long range investment and forward planning that we wish to employ a new Manager for our Tax Department. A stimulating financial matrix which will provide a creative challenge to the most accomplished professional.

Your initial task will be to use your experience and skills to successfully negotiate a settlement with the Inland Revenue on outstanding PRT issues. In the longer term you will be researching, recommending and developing strategies to enhance the tax efficiency of operations in the UK and overseas – including raising the awareness of tax issues. You'll also be responsible for supervising our Royalty returns.

Some knowledge of US/European Oil industry tax would be an advantage, as would mainframe and PC experience. Good interpersonal and communication skills will also be important.

For someone with a well balanced, mature yet highly motivated outlook the rewards will be exceptional and, in addition to the salary of around £30K, you will receive a company car, medical insurance, free life assurance, a contributory pension scheme and the benefit of a thriving sports and social club.

If you can match these requirements and offer even more in terms of your own potential, please apply in writing, enclosing full c.v., to: Clyde Sorrell, Employee Relations Department, Occidental International Oil Inc., 16 Palace Street, London SW1E 5BQ.

OXY

Chief Accountant

Central London — **c£22,000**

This small but well established and highly successful entertainments and promotions company has ambitious growth plans, designed to carry them forward into the next decade. They are in the early stages of a major re-organisation and require a Chief Accountant to guide them through this exciting phase in their development and beyond.

Reporting to the Chief Executive, the successful applicant will take total control of the firm's financial affairs, implementing and maintaining accounting and management reporting systems and procedures. In addition, there will be a number of exciting administrative responsibilities and the position will involve an increasing degree of man-management.

Aged 25-35, you will be a qualified accountant, with at least two years' financial and administrative experience gained from within a service industry, ideally in the entertainments field. You should have the flexibility and personality to succeed in a dynamic, hard-working environment and can expect your role to expand in line with the company's growth.

To apply, forward relevant personal and career details, quoting reference SHA1020, to: Ed O'Sullivan, Executive Recruitment Division, Stoy Hayward Associates, 8 Baker Street, London W1M 1DA.

SH **Stoy Hayward Associates**
MANAGEMENT CONSULTANTS
A member of Horwath & Horwath International

TAX MANAGER
£30,000
CENTRAL LONDON

Partnership is envisaged in the short term for a strong, career minded Tax Manager, experienced in all areas of UK Tax and with sound man-management abilities, the successful appointee will have complete control of a varied and thriving portfolio and acting as "number two" to the partner, will be responsible for the running of the department. This is a high profile position within the Practice and as such offers excellent prospects for career progression.

Please call:
David Paton, Senior Search Consultant
01-734 4836
or 0737 762094 (evenings)
alternatively write to:
Public Practice Division
FINANCE RECRUITMENT
Grafton House, 2/3 Golden Square
London W1

MANAGER, FINANCE AND OPERATIONS

City £ negotiable + car + banking benefits

Our client is the new securities arm of a highly reputed international bank which has a well established base in the City. It plans to deal in the full range of financial instruments and to become a major participant in the London markets.

This position is responsible to top management for all compliance matters, financial management, operational support functions and general administration.

Applicants should be qualified accountants with a full understanding of the company secretary's role in a securities house. Post qualification experience should be in the range of six to ten years, and must demonstrate a progressive career and a successful record in team building.

Please write in confidence, quoting reference K2747 and enclosing full career details to Mike Blanckenhagen.

KPMG Peat Marwick McLintock

Executive Selection and Search

9 Creed Lane, London EC4V 5BR

FINANCE DIRECTOR

ASHFORD, KENT

Neg £30,000 + Profit Share

Car + Relocation Expenses

This international company is the world's leading research, design and manufacturer of client specific immunodiagnostic equipment.

Working at the forefront of technology it has an impressive profit record and reputation achieved as a result of its professional approach and past success. It has experienced substantial growth and future plans are impressive.

The successful candidate will enjoy a high level of responsibility in a far reaching role involving the broader management issues of running a business; working closely with the Managing Director and the other members of the board. The position will require you to travel to the USA and Europe where the company operates very successfully.

The ideal candidate will have a science degree, be a qualified ACA, MBA and have relevant commercial experience. Aged to 35 with an outgoing personality.

*For further details of this position, contact **Graham Palfery-Smith** or **Harsa Savjani** on **01-629 4463** (or **01-697 6811/01-889 8892** at evenings and weekends). Alternatively write enclosing a comprehensive career history quoting Ref: HS 281.*

HARRISON WILLIS

FINANCIAL RECRUITMENT CONSULTANTS

CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 3FD, TEL: 01-629 4463.

Financial Controller

South Herts c£22,000 + car + relocation

Our client is a subsidiary of a major £1.5 billion plus turnover UK multinational specialising in the manufacture and marketing of Hi-tech electronic products. Renowned for its high quality products and service, the company is committed to continued investment and has ambitious plans for international expansion.

A challenging opportunity has now arisen to join the Senior Management Team as Financial Controller and contribute to the development of this energetic business. Responsibilities include:

* financial planning, budgeting and forecasting.
* preparation of financial and management reports.
* development of sophisticated EDP financial systems.
* cash management and control.
* provision of financial advice to Operating Management.

Applicants should be qualified accountants, aged 27+ with a proven track record at management level, ideally gained within a manufacturing environment, and should be capable of demonstrating commercial awareness.

Interested candidates should write to **Peter Ward ACMA**, enclosing a CV quoting ref. **HCN 1007** at **Centurion House, 136/142 London Road, St. Albans, Herts AL1 1SA.**

MP

Michael Page Partnership

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

A member of Addison Consultancy Group PLC

Finance Director

Tyneside to £25,000 + Bonus + Car

Our client is a highly dynamic, £20 million turnover, growth orientated manufacturing subsidiary of a major UK group. Their products are supplied to both industrial and consumer markets, and the company already holds an enviable position in a highly competitive sector.

A Finance Director is required to assume total responsibility, through a department of 14 staff, for all aspects of the finance and data processing functions, with initial emphasis on the continued development of the company's management information systems. The successful applicant will also be expected to contribute significantly to strategic business planning and the overall commercial management of the business. Long term career prospects are excellent.

Candidates, aged 27-35 will be qualified accountants, of graduate intellect, who can demonstrate outstanding achievements to date, coupled with strong communication skills and the ability to make an effective contribution to the profitable development of the company.

A comprehensive benefits package including full relocation facilities will be offered. Interested applicants should write to Stephen J Broadhurst, quoting ref: L8352, at Michael Page Partnership, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. (Tel: 0532 450212).

MP

Michael Page Partnership

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

A member of Addison Consultancy Group PLC

ALBRIGHT & WILSON LTD

TENNECO Albright & Wilson is a Tenneco company

European Financial Controller

Birmingham c £30,000 + Car

Our client, Albright & Wilson Limited is a major force in the chemicals industry. With a turnover of £650m and manufacturing and sales operations around the the world the company forms part of the US owned Tenneco group

Following a recent reorganisation to establish the European HQ in Birmingham, the Company seeks a Financial Controller to assume overall responsibility for the finance function servicing UK and other European businesses with sales in excess of £400m.

Reporting to the Group Treasurer and working closely with line-management across a range of disciplines your brief will encompass:

- The provision of all financial and management accounting information for the three business groups now headquartered in Birmingham.
- Production of the accounts for the whole Albright & Wilson Group for UK and US purposes from returns submitted by every unit worldwide.
- Formulation of budgets, business plans and evaluation of capital projects.

In addition, you will play an active role in the maintenance and enhancement of financial controls and computerised management information systems.

This is an outstanding opportunity for a Qualified Accountant, aged 35-40, with an excellent track record in manufacturing industry who can display an exceptional ability in the management of a large accounting function within a majoe international group. In return the Company offers an attractive salary package including car, a non-contributory pension and BUPA.

Interested? Please write to John Keefe, Executive Division, Michael Page Partnership, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

MP

Michael Page Partnership

International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

A member of Addison Consultancy Group PLC

Exciting Commercial Opportunity for Young Ambitious ACA/CCA/CMA

MOVE INTO FINANCIAL MANAGEMENT

Crawley Nr. M25 £18,000 - £22,000 + Car + Benefits

Air Europe, one of Britains most dynamic and innovative Airlines, is now poised to expand into European Scheduled services. As a part of the progressive International Leisure Group we are uniquely placed and ready to exploit growth opportunities within the airline market.

As a result of this rapid development the need has now arisen to strengthen our young team of finance professionals with the appointment of an able, ambitious and commercially orientated young Accountant.

This is an excellent opportunity for an ambitious accountant in his/her mid 20's to prove him/herself as a financial manager. You will require the highest level of committment and self-motivation, outstanding technical and interpersonal skills.

You will play an important role in the accounting and financial control of the headquarters activities, supported by a small staff. This will include the production and design of management information, reporting of cash and foreign currency exposure and further development of computerised systems and financial controls.

In addition as key member of the Financial Management team you will be involved in corporate budgeting and planning exercises as required.

Success in this appointment will provide an excellent platform for career progression within Air Europe and the International Leisure group as a whole, you will receive the style of benefits normally associated with a major company and concessionary travel and holiday arrangements after a qualifying period.

*For a detailed and confidential discussion contact **Paul Goodman**, Consultant to the company, at **Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN** on **01-387 5400** or out of hours on **01-954 5242** or write to him enclosing a detailed C.V. at the above address.*

air europe

AE

Managers of Change

Developing financial roles for the 90's

New business and substantial acquisitions have resulted in unprecedented growth for this £500m international company, operating in a complex high technology manufacturing environment. Promotions and consequent reorganisation have created challenging opportunities for Accountants to play key roles in equipping autonomous profit centres to meet the demands of the next decade.

Divisional Finance Manager

c £30,000 + car — N Home Counties

As a vital member of the Senior Management team, reporting to the General Manager, you will determine the financial objectives of this £80m multi-site operation, and will prepare and implement business policy and operating plans. You will be responsible for 200+ people involved in Business Management Information Systems, Contracts Administration and Accounts, and will enjoy personal involvement in international liaison and senior level negotiations.

Ref LS 536

Divisional Finance Manager

c £25,000 + car — West Midlands

Exciting new projects and new challenges are in the pipeline for this £60m single-site manufacturing operation. As well as maximising efficiency and productivity, your objective will be to control project development costs and to develop a rapport with new customers internationally. Reporting to the General Manager you will be a senior member of the Division's Executive, preparing and implementing financial plans through a 100-strong team.

Ref LS 537

Finance Manager

c £20,000 + car — West Yorkshire

One of your key objectives will be to improve management information and business systems to prepare this £16m single site operation for sustained business growth in the short term. With the help of a 20-strong team, you will also determine business policy, monitor performance and control all financial and accounting transactions.

Ref LS 538

All positions call for qualified Accountants with strong negotiating and man-management skills. Experience at senior level gained in a manufacturing environment is essential; a background in a large company involved in complex, small batch, high precision work is preferred. You must possess a shrewd business brain, ambition, flair and above all potential for career development, as prospects both at home and internationally are excellent.

Salaries are enhanced by a wide range of executive benefits including a company car and relocation assistance where appropriate.

Please telephone Hans Rostrup, Consultant, on 021-455 6255 (office hours) or 0527 73681 (evenings) or write with full career history, quoting the appropriate reference, to Austin Knight Selection, Tricorn House, 51-53 Hagley Road, Birmingham B16 8TP.

Austin Knight Selection

- Total Commitment
- Total Professionalism
- Total Energy

Total Oil Marine is part of the highly successful worldwide Total CFP Group. We currently supply over a third of the UK's natural gas requirements, and will also become a major oil producer when the Alwyn North field comes on stream in late 1987. This exciting new development has already led to significant increase in our business activity as well as creating new career opportunities for ambitious, high calibre professionals.

TOTAL

Total Oil Marine

Project Accountant

London £19-£21k

* **High profile Financial role in a multi-currency environment.**
* **A highly successful energy company with a £ multi-million turnover.**
* **A complex and demanding business environment.**

We now need a capable Project Accountant to join our Central London based Project Co-ordination Department. Reporting externally (to our Partners) as well as to senior Company Management, you will be responsible for the accounting of all construction and other ventures under the direct control of the Department. Working in a complex business environment, you will produce Billing Statements, Cash Forecasts, Exchange Analyses and Cash Calls on a regular basis.

Probably in your mid to late 20's, either recently qualified or in your last pre-qualification year, you must have strong financial and management accounting experience in a complex major business environment. Familiarity with computerised accounting systems will also prove essential. Highly organised, self-motivated, yours is also a co-ordinating role calling for the ability to work well with others, often under considerable pressure.

This post offers excellent long term career prospects within a successful major International Group. You can also look forward to a comprehensive benefits package, including annual bonus, BUPA, pension and life assurance schemes. Relocation assistance will also be given where appropriate.

To apply please send your CV to: Rod Eames, Personnel Department, Total Oil Marine plc, Berkeley Square House, Berkeley Square, London W1X 6LT or phone for an application form on 01-499 6080.

SYSTEMS ACCOUNTANT

S.W. LONDON ATTRACTIVE PACKAGE

A public company in the distribution industry, in the southern part of England, requires a qualified accountant with computer experience to join their management team.

Responsibilities will include the implementation of a major branch accounting and management information systems review and the development of an internal audit function.

Applicants, probably in their 30s, should have experience in these areas, preferably in a wholesale/retail distribution environment. The position will aso require a natural ability to communicate with all levels of management across a wide range of disciplines.

There is significant scope for early career progression for a successful candidate. The initial salary is negotiable and will be supplemented with a company car and the benefits you would expect from a successful public company, including relocation assistance where appropriate.

Please write with full c.v. to Mr. K. W. Harris
Box A0752, Financial Times
10 Cannon Street, London EC4P 4BY

EXECUTIVE JOBS

IF YOU EARN OVER £25,000 PA AND ARE SEEKING A NEW OR BETTER PAID JOB

In the accountancy or financial field our team of consultants, all of whom have had managing director level experience, can help you.

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Contact us for an exploratory meeting without obligation. If you are currently abroad ask for our Executive Expat Service.

32 Savile Row, London W1 - Tel: 01-734 3879 (24 hours)

Connaught

هكذا من الأصل

PROSPECTIVE PARTNERS
c £30,000
Central London

There are currently a number of outstanding career opportunities with medium sized and small firms of Chartered Accountants. These posts are notably in Audit, Corporate Finance and Insolvency. In most instances the initial appointment is likely to be at management level, but applicants should posses the attributes appropriate to partnership.

Contact:
David Paton, Senior Search Consultant
01-734 4856 or 0737 762094 (evenings)
Alternatively write to:
Public Practice Division
FINANCE RECRUITMENT
Grafton House, 2/3 Golden Square
London W1

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For further information, call:
01-248 4782
Daniel Berry, Ext. 3456
Tessa Taylor, Ext. 3351

FINANCE DIRECTOR

KINGSTON COMMUNICATIONS (HULL) plc

to £35,000 plus car

The Kingston-upon-Hull area is unique in having its own independent telecommunications system. A separate company has been formed by the City Council to operate and expand the business into new areas of communications technology.

A finance director is required who, bringing experience from the commercial sector, will work closely with the managing director in such areas as new capital project financing, new business appraisal, finance department organisation and the computerisation and development of new performance reporting systems. The role will encompass that of company secretary.

Preferred applicants will be graduate chartered accountants aged 35 to 45 with a record of success in managing the finances of diverse, high technology businesses. Direct experience of the electronics industry would be useful.

In the first instance, please send brief personal and career details, quoting reference F457M, to Douglas G Mizon.

E&W Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Far East Controller

Singapore based

Excellent expatriate package

Our client is a successful UK based financial services company. With a turnover of c. £150 million, it operates in fast moving international markets, employing young and highly motivated staff. Its Far East and Asia Pacific Region consists of six countries of strongly contrasting cultures. Each business is growing substantially and together they make a major contribution to group profit.

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Candidates should be qualified chartered accountants, probably in their late 20s/early 30s, preferably with prior international work experience. You will also be mature, highly self-motivated, with excellent communication and problem solving skills.

This challenging position offers exciting overseas experience, followed by excellent career opportunities within the group, either in the U.K. or overseas.

Please reply in confidence, giving concise career, personal and salary details to:

Sarah Orwin, Ref. ER941,
Arthur Young Corporate Resourcing,
Citadel House, 5-11 Fetter Lane,
London EC4A 1DH

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★ Assisting the Group Taxation Manager in connection with acquisitions, reorganisations and disposals of businesses.

★ Development of the computer based taxation system.

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For further information please contact either Chris Nelson or Graham King on 01-831 2000 (evenings/weekends 01-785 6545) or write to them at the Taxation Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.
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The remuneration package will include normal executive benefits plus a company car.

Interested applicants should write enclosing a comprehensive c.v. and telephone number to Jon Anderson ACMA, Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH, quoting ref: 437.

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For further information please contact **Roger Tipple M.A.** who has been retained to advise on this appointment.

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The salary package will be c£17,000 p.a. plus a company car and the benefits of a non-contributory pension scheme, private medical care and life assurance schemes.

To apply, please write in confidence, enclosing your C.V. to;
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quoting Ref: H11013/FT.

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We seek a professionally qualified accountant with proven management skills, experience of financial and management accounting with a large organisation, and the motivation and enthusiasm to make a significant and immediate contribution to the setting-up and running of the Directorate. An appreciation of the demands of a news and current affairs operation within a broadcasting or other media organisation, would be an advantage.

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£16-18K

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Please write with full c.v. (indicating salary required) or telephone for an application form: Kathy Foster, Personnel Manager, Hitachi Sales (UK) Limited, Hitachi House, Station Road, Hayes, Middlesex UB3 4DR. Telephone 01-848 8787 Ext. 4281/2.

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In the first instance, please send brief personal and career details, quoting reference F/187/M, to Douglas G Mizon.

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Candidates will need to be qualified accountants or passed finalists, preferably with experience of SBC's and spreadsheets and a knowledge of data-base management. Well developed interpersonal and written skills, together with the ability to work under pressure are essential.

For further information call Andrew Wren on 01-356 4700. To apply, please write with full CV to: Ann Hulbert, Management Recruitment Centre, 3rd Floor, Haddon House, 2-4 Fitzroy Street, London W1P 5AD.

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ASIAN DEVELOPMENT BANK

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Staff and their families will be based in Manila but the position involves international travel. The position offers a competitive salary paid in US dollars, normally free of tax, and an excellent benefits package.

Interested persons are invited to send in their curriculum vitae, including present salary and details of their work experience, to the following:

REF. NO. 8702-C
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It is highly unlikely you will be aged over 35 and if your post qualification experience has been in a fast moving, hi-tech environment then this will be a plus. A quick mind and considerable independence are indispensable requirements to allow you to survive where such qualities are taken for granted. In many respects it is a green-field situation but there can be few companies whose grass looks greener.

Résumés please, including a daytime telephone number, to Tony Potter, Ref. 153TP.

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A substantial negotiable salary with a full range of banking benefits is available.

If you are able to meet these exacting specifications, please telephone Joan Woods, on 01-606-1771 or send a comprehensive cv to her at: March Consulting Group, Throgmorton House, 33 Throgmorton Street, London EC2N 2BR.

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Following the reorganisation of the Electro-Optics business of Watsham's plc, a new position has been established for a Financial Controller of the Watford site.

The responsibilities of the post include the day-to-day control of the accounting function, development of the computerised accounting systems, preparation of the management accounts and various ad-hoc projects. The position reports to the Financial Controller of the Division and is suitable for a newly or recently qualified accountant looking for a first move.

Applicants should apply to:

C. D. Fry
WATSHAM'S plc
Sutherland House, 70-78 West Hendon Broadway
London NW9 7BT

Financial Controller Stockbrokers

Manchester City Centre c.£20,000

Our client W.H. Ireland, Stephens & Co Ltd are part of Burns-Anderson Plc, the rapidly expanding, financial services group.

Ideally for this role you will be a qualified chartered accountant with at least 3 years' post qualification experience preferably gained within a financial environment. In addition you should be quick thinking, computer literate with a strong commercial awareness which will enable you to make the significant contributions necessary to further develop this fast moving business.

If you are looking for the opportunity to join a progressive, forward thinking group which offers excellent career prospects, then please write in the first instance enclosing full career details including current salary, day time telephone number and availability for interview to Linda McConville, Managing Consultant, who is advising our client on this position at Robert Armstrong & Co, 2 Booth Street, Manchester M2 4AG. Tel: 061-236 0541.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday July 30 1987

Special factors boost Texaco income by 30%

BY OUR NEW YORK STAFF

TEXACO, the international oil group which filed for protection under Chapter 11 of the US bankruptcy code in mid-April, has reported a 30 per cent increase in second-quarter net income to $240m, but the improvement was more than accounted for by a $111m net benefit from the suspension of interest payments.

The latest figures show a recovery in upstream earnings but a sharp decline in the downstream refining and marketing operations, including a small $12m loss in the US.

They paint a picture of a group whose underlying performance is continuing to lag behind that of its rivals. But the group is rapidly building cash reserves because it has suspended its interest payments of about $1bn a year and its $720m-a-year dividend.

Texaco's operating earnings fell by 40 per cent to $227m in the second quarter and for the six-months they are 50 per cent down at $445m.

Mobil, the second biggest US oil group, reported a 48 per cent drop in second-quarter net income to $304m, or 74 cents a share. But it says that if last year's $196m of special items are stripped out, quarterly earnings declined by only $82m, or 21 per cent.

Chevron, which is slightly smaller than Texaco in revenues, showed a 59 per cent rise in second-quarter net income to $344m, or $1 a share, but this was more than accounted for by $150m of net gains on asset sales.

Mobil's revenues rose 10.8 per cent to $13.5bn in the latest quarter and Chevron's revenues rose 8.9 per cent to $7.3bn.

Mr James Kinnear, Texaco's chief executive, said that while higher oil prices helped the group in the latest quarter "worldwide downstream refining and marketing operating margins remained depressed in the second-quarter as the increased raw material feedstock costs were not fully recovered."

Also natural gas prices have not shown much improvement while crude oil prices have been firming.

Mr George Keller, Chevron's chief executive, said his group was still recovering from last year's "devastating price collapse" and, while the company's average posted price during the latest quarter was more than $18 a barrel (compared with less than $14 a barrel a year ago), and currently stands at $20 a barrel, "these prices are still far below the level needed to expand our exploration activities."

Texaco's revenues rose by 7.5 per cent to $8.5bn in the latest three-months and share earnings rose by 22 cents to 99 cents. For the first six-months of 1987 the group earned $358m, or $1.48 a share, compared with $513m, or $2.14 a share, in the same period of last year.

Exxon and Du Pont announce higher quarterly dividends

BY OUR NEW YORK STAFF

EXXON and Du Pont, two of the five biggest companies in the Dow Jones industrial average, yesterday raised their dividends by 11 per cent and 6 per cent respectively.

Exxon, which is the world's biggest oil company and second only to IBM in stock market capitalisation terms, increased its quarterly dividend from 90 cents a share to $1 while Du Pont increased its quarterly dividend by 5 cents a share to 85 cents.

Exxon last increased its dividend in the 1985 final quarter when the payout was raised 5.8 per cent to 90 cents. It is the first of the big US oil companies to announce a rise in its dividend since oil prices began to recover from last year's dramatic collapse.

Several companies, such as Mobil and Chevron, have had an unchanged dividend for several years and Texaco, the third biggest US oil company, was forced to omit its dividend earlier this year after it filed for protection under Chapter 11 of the US bankruptcy code.

Du Pont, which in addition to its chemicals business has a big stake in the oil industry through its Conoco subsidiary, increased its dividend by 5 cents a share last year.

Exxon's shares fell by $¼ in early trading yesterday to $91¼ while Du Pont's shares fell by $1¼ to $122¼. At their current share prices Exxon is yielding 4.3 per cent and Du Pont is yielding 2.8 per cent which compares with an industrial dividend yield of 2.4 per cent.

TWA projects $175m income before tax

TRANS WORLD AIRLINES, which last week proposed a plan to go private, projected 1987 operating revenues of about $4.06bn and pre-tax income of about $175m, Reuter reports from New York.

However, the carrier said the projections did not include the net increase in interest expense it would incur with the $800m in debt required to finance the privatisation transaction.

TWA projected a profit reduction of about $8m a month after the debt securities are issued.

Last year, TWA reported a loss of $106.3m on revenues of $3.1bn.

But the carrier had second-quarter profits of $52.8m and it was reported that the airline's strong international traffic should continue to generate profits into autumn.

TWA also said it would seek consents in connection with its privatisation proposal with certain debt holders, including holders of its 13¾ per cent Equipment Trust Certificate due 1991 and of its 14¼ per cent Equipment Trust Certificates due 1996.

On its 1987 projections, TWA said its operating expenses would be about $3.8bn, leaving it with an operating income of $305.4m.

TWA also estimated $220.9m for interest credits and a loss of $81.4m for investment charges.

The carrier said that its operating revenues and expenses projections assumed no material impact from seasonal price competition or substantial increases in the price of fuel.

Navigation to buy French locksmith

By George Graham in Paris

COMPAGNIE de Navigation Mixte, the diversified holding company of Mr Marc Fournier, has made an agreed bid for the old-established Paris locksmith Fichet-Bauche.

The bid, of one Navigation Mixte share plus FFr 200 cash for each Fichet-Bauche share, values the locksmith at FFr 520m ($84.3m).

Navigation Mixte, with interests in insurance, shipping and financial services, said yesterday that the acquisition would allow industrial synergy between Fichet-Bauche and its subsidiary Générale de Transport et d'Industrie.

Besides making some of the securest locks in Paris, Fichet-Bauche recently merged with the Brinks security delivery company in France.

Fichet-Bauche had sales of over FFr 2bn in 1986, with 42 per cent of its turnover overseas.

Financial services lift Primerica 41%

BY WILLIAM HALL IN NEW YORK

PRIMERICA, the former American Can Company which is in the process of transforming itself into a glamorous financial conglomerate, increased its second-quarter net income from continuing operations by 41 per cent to $47.5m, or 80 cents a share.

Mr Gerry Tsai, chief executive, says the increased earnings reflect "overall strong performance from the company's financial services and speciality retailing businesses, significant reductions in corporate staff expenses and interest savings as a result of the retirement of high-coupon debt."

Revenues from continuing operations in the second-quarter rose 9 per cent to $748.5m and first-half revenues rose 16 per cent to $1.55bn. First-half earnings from continuing operations, before non-recurring items, rose 52 per cent to $1.50 per share, or $90.1m.

Operating income of the financial services group rose 8 per cent in the second-quarter and Mr Tsai attributed the performance to the "strength of all the company's insurance operations, increased earnings of RCM Capital Management and higher realised gains."

Margaretten, the group's mortgage banking subsidiary, had record loan closings in the second-quarter but its earnings fell substantially following the "unprecedented rapid rise" in interest rates during the quarter.

American Capital Management & Research reported lower earnings because of lower bond fund sales but the group's speciality retailing operation increased its contribution by 24 per cent.

Jacobs confirms Allegheny stake

MR IRWIN JACOBS, the Minneapolis investor, has confirmed that he holds slightly less than 10 per cent of the common stock in Allegheny International and said he is acquiring the stock for investment purposes only, AP-DJ reports from Minneapolis.

In early trading yesterday Allegheny International gained $⅝ to close at $18⅝. In the previous session the company put on $1 to $18 on volume of 1,281,600 shares, more than 12 times its average daily trading volume.

Mr Jacobs, who heads Minstar, yesterday said he would file with the Securities and Exchange Commission "within the next few days" to report the position. Mr Jacobs said he would give details of his plans in the filing.

Allegheny International's stock rose a total of 3½ points on Monday and Tuesday amid takeover speculation.

Mr Jacobs declined to comment on why he found Allegheny International attractive.

Analysts say the company is a desirable target, with several units that could be spun off relatively easily.

In addition to its main consumer products unit, which includes such brand names as Sunbeam, Foster, and Mixmaster, Allegheny has technology, industrial specialities, finance, and property subsidiaries.

Gemina to buy 17.5% Latina insurance stake

BY ALAN FRIEDMAN IN ROME

GEMINA, the Italian financial holding company which is controlled indirectly by Fiat, is to buy a 17.5 per cent shareholding in the Intercontinentale insurance concern from Latina, an insurance company controlled by Mr Carlo De Benedetti.

The Gemina purchase, for a price believed to be more than L20bn ($14.9m) above the L54bn that Latina itself paid for the stake, brings to an end a long-running dispute over Intercontinentale between the business empires of Mr Gianni Agnelli, Fiat chairman, and Mr De Benedetti.

The squabble started in April, when both Gemina and Mr De Benedetti claimed to have bought the same 20 per cent stake in Intercontinentale.

A Milan judge had sequestered the share stake, which will now go to Gemina. It will now have full control of Intercontinentale.

Pan Am back in the black with $10m

By Our New York Staff

PAN AM Corporation, parent company of Pan American World Airways, made a small net profit of $10.5m or 8 cents a share in the latest quarter, after a loss of $152.4m or $1.13 in the second-quarter last year.

This was the first quarterly profit to be achieved by Pan Am since 1985 and reflected the sharp improvement in the troubled airline's transatlantic operations after the disruption of US tourism last year by the Chernobyl disaster and the US public's hijacking fears.

Pan Am said airline revenues were up 24 per cent on last year to $721.7m. Operating expenses declined by 1.8 per cent to $692.8m.

However, the turnaround still appears too slow to satisfy investors who are awaiting clearer signs of stability in the company's financial position, which has been deteriorating steadily for almost 10 years.

Because of nearly $1.5bn in cumulative losses since 1982, Pan Am's book value per share is down to less than 10 cents and its debt equity ratio amounts to nearly 90 to 1.

Apart from the low level of profits, analysts were disappointed with Pan Am's failure to raise the yield, or average price it receives per passenger mile. This declined by 6.7 per cent to 9.64 cents.

Meanwhile, the airline's costs per available seat mile increased by 3.1 per cent to 6.89 cents.

New chief appointed at Santa Fe

By Our New York Staff

MR Robert D. Krebs has taken over as chief executive of Santa Fe Southern Pacific, the large US transportation group, which is in the middle of dismantling one of the biggest mergers in US history after the Interstate Commerce Commission blocked the $6.4bn merger of the Santa Fe and Southern Pacific railroads.

Mr Krebs, 45, who joined Southern Pacific in 1966 and rose to president prior to the 1983 merger, has been handed one of the most difficult jobs in the US transportation industry.

Not only will he have to mastermind the disposal of one or both of the group's railroads, but he will inherit a group which has been the subject of repeated takeover rumours.

The Henley Group, an aggressive asset manager, recently disclosed that it was seeking permission to increase its stake by up to 25 per cent.

Mr John Schmidt resigned as Santa Fe chief executive in April after growing boardroom concern at the delays in getting official approval of the merger of Santa Fe and Southern Pacific.

Mr John Reed, 69, a former group chief executive, who came out of retirement temporarily until a new chief executive was found, will continue as group chairman.

Merck plans $1bn share buy-back

By Our New York Staff

MERCK, the US pharmaceutical group which recently reported a rise of more than a third in first-half earnings, has increased its dividend by 45 per cent and announced plans to spend $1bn buying back its shares.

Merck's share buyback plan follows similar recent moves by Coca-Cola, Philip Morris and American Express.

The New Jersey-based company, which increased its dividend by 22 per cent a year ago and is now boosting its quarterly payout from 55 cents to 80 cents a share, also said it would consider a stock split at its November board meeting. The company last split its stock (two-for-one) in May 1986.

Between 1984 and 1986 Merck spent $900m buying 13m of its shares on the open market. Its board has now approved the spending of an additional $1bn on buying in stock for its treasury over time.

The company currently has 136.7m shares outstanding and is capitalised at $25.7bn on the stock market.

Pickens' Mesa reports sharp profits downturn

BY RODERICK ORAM IN NEW YORK

MESA Limited Partners, the main vehicle of Texas corporate raider Mr T. Boone Pickens, has reported a sharp downturn in profits – providing further evidence that he might find it difficult to buy a large stake in Boeing as an investment springboard to a takeover or a leverage to force a recapitalisation at the aircraft maker.

Meanwhile, Boeing shares continued to trade heavily yesterday but their price slipped as markets remained cautious about the intentions of Mr Pickens.

By early afternoon they were off 75 cents at $53 with volume of 1.6m making them the second most active New York Stock Exchange issue.

It was unclear whether Mesa had begun to accumulate shares. Boeing revealed on Monday evening that Mesa had filed for permission to buy up to 15 per cent of its stock, which at present prices would cost about $1.25bn.

Mesa turned in second-quarter net profits of $3.4m, or 8 cents a share, against $12.3m, or 18 cents a year earlier. First-half profits were $20.6m, or 25 cents, against $46.3m, or 69 cents.

Revenues rose to $72m from $62.5m in the quarter but slipped to $171.2m from $174m in the half.

A 25 per cent increase in natural gas production was offset by a fall in price to $1.96 per 1m cubic feet from $2.45 a year earlier. Natural gas liquids output rose 300 per cent but prices fell 9 per cent to $9.52 a barrel.

A cash flow shortfall is requiring Mesa to borrow or earn investment income to meet its annual payout of $2 per partnership unit and $1.50 per preference share.

Analysts believe Mesa has about $700m available from credit lines and $300m from cash and marketable securities which could help it raise in total between $3bn and $4bn.

The consensus on Wall Street is that only large rich companies such as Ford Motor or General Electric could mount a full bid for Boeing.

Short of that, Mr Pickens might be able to force a virtually debt-free Boeing to recapitalise itself in order to make a large special dividend payment to shareholders.

Turnround of drug stores chain lifts Imasco results in quarter

BY ROBERT GIBBENS IN MONTREAL

IMASCO, the Canadian tobacco and retailing group, earned C$70.1m (US$52.7m), or 56 cents a share in its first-quarter, against C$52.9m or 48 cents a year earlier.

The group is beginning to get results from the reorganisation of its troubled 830-unit Peoples Drug Stores chain in the US.

Per share figures reflect fewer shares outstanding, and revenues were C$1.18bn against C$1.11bn. The company has changed its year-end to December 31, so that the current fiscal year will cover nine months.

Early this year, Peoples was put under the management of Imasco's Canadian drugstore group, and it dealt with severe problems in its new central warehousing system. In the quarter, Peoples moved from three consecutive quarterly losses to a profit of C$1.39m.

The company said profits from its big US fast food operation and from Canadian retailing was in line with estimates for the latest quarter. Operating earnings for the tobacco division were C$65.3m, up from C$38.5m a year earlier.

The contribution from Canada Trustco was C$26.7m, up from C$13.7m a year earlier. But the year earlier period covered Canada Trustco for two months only.

Imasco, owned just over 40 per cent by BAT Industries of the UK, has reduced its estimate of the net proceeds from the sale of Genstar's non-financial services assets to C$600m from C$800m. This will raise the net costs of Canada Trustco to C$2bn from C$1.8bn.

Imasco bought Genstar for C$2.6bn last year, intending to keep only its financial services subsidiary, Canada Trustco, the country's largest trust company. Since then, it has raised C$2.7bn from the sale of non-financial assets. Some real estate assets remain to be sold.

The company said the reduction of C$200m in estimated net proceeds from all the asset sales stem from the levels of Genstar debt, higher than expected costs for winding down Genstar and other factors.

Gas price fall trims gains at Tenneco

By Anatole Kaletsky in New York

TENNECO, the leading US natural gas production and distribution company, made $46m or 24 cents a share in the second-quarter, marginally down on its net income from continuing operations of $53m or 25 cents the year before and below market expectations.

Tenneco's reported net income in the 1986 second-quarter was $80m, but this included $27m from insurance and precious metals businesses which were sold off at the end of last year.

The company benefited from higher prices for its crude oil production and improvements in some of its non-energy businesses, including Packaging Corporation of America and Albright & Wilson, the UK-based specialty chemicals firm.

These gains were offset by continuing declines in natural gas prices and competitive pressures in the gas pipeline operations, which between them account for more than half of Tenneco's profits.

Among Tenneco manufacturing subsidiaries which suffered declining earnings were Newport News Shipbuilding, a leading defence contractor, and Case-Harvester, a farm machinery company.

Operating profits from the gas pipeline business which is still the mainstay of Tenneco's operations continued to suffer primarily from the competitive pressures resulting from legislation which has deregulated the gas distribution industry, the company said.

First-half net profits were $75m or 32 cents a share, against $204m or $1.16, although this included $98m from discontinued operations. Revenues were down from $7.6bn to $7.4bn, with a contribution of $3.7bn in the second-quarter.

INTERNATIONAL COMPANIES and FINANCE

Monier becomes subsidiary of Redland

By Our Sydney Correspondent

MONIER, the Australian building products company which has been the subject of two competing takeover bids, yesterday became a subsidiary of Redland, the British building group, after the UK company lifted its holding from 49.9 per cent to 50.1 per cent.

The move means a takeover bid by Equiticorp Tasman, which is controlled by Mr Allan Hawkins, the New Zealand entrepreneur, cannot succeed. Equiticorp said yesterday its A$647m (US$451.8m) bid had so far resulted in a 33.8 per cent shareholding.

Earlier, a competing A$593m bid by CSR, the Australian sugar, building products and resources group, failed after being overtaken by the Equiticorp offer. Redland had supported the CSR takeover, which would have made the two companies associates.

Yesterday's announcement said Redland spent A$1.16m in purchasing 275,600 Monier shares on the market at A$4.20 per share, 5 cents above the Equiticorp offer. This took its stake over the 50 per cent mark and made Monier a Redland subsidiary.

● Mr Robert Napier, Redland managing director, said his company had "no present intention" of making an offer for the rest of Monier, Our Financial Staff adds.

Equiticorp had asked to meet Redland, saying "we will listen to their intentions." Redland, however, would not accept an offer from Equiticorp. "The future of Monier lies in our hands," he said.

Hooker acquires Alabama fashion store chain

BY CHRIS SHERWELL IN SYDNEY

HOOKER CORPORATION, one of Australia's largest property groups, yesterday announced a US$250m deal to acquire control of Parisian, a chain of 16 fashion stores based in Birmingham, Alabama.

The deal involves a leveraged buy-out with major shareholders of Parisian. They will retain a substantial interest in the group, which would become a private company.

The announcement, made by Mr George Herscu, Hooker's chairman, comes just three months after Hooker said it had agreed to acquire the New York-based Bonwit Teller retail chain for more than $100m.

Hooker wants to become more involved in US speciality retailing both to diversify its earnings base and in support of its property operations. Parisian's stores in Alabama, Georgia, Florida and Tennessee offer moderate to higher-priced fashion goods and clothing for men, women and children.

The idea is that Parisian will be one of the anchor tenants in three shopping malls, in Ohio, South Carolina and Florida. Hooker is currently committed to six regional shopping malls averaging 1.5m sq ft each and is looking at others.

The group entered the US at the end of 1986 when it bought Merrill Lynch's real estate brokerage. The first retail acquisition was an 80 per cent stake in the 11-store Merksamer jewellery chain, which is expected to have grown to 35 stores by the end of this year.

Ivory Coast plans privatisations

BY PETER BLACKBURN IN ABIDJAN

THE IVORIAN Government has drawn up a provisional list, due to be published in September, of 103 enterprises in which it plans to sell off its shareholdings as part of a sweeping disinvestment in favour of the private sector.

The move is part of a growing trend towards privatisation in Africa strongly supported by the World Bank through its structural adjustment programmes.

Although the Ivory Coast has, since independence from France in 1960, implemented liberal economic policies and encouraged foreign private investment, the Government has nonetheless remained involved substantially in local industry.

The Government has been studying the problem of inefficient and loss-making state enterprises for the past 10 years. Mr Mathieu Ekra, Minister of State, has criticised the "sadly irresponsible" management and the "chain of financial and material privileges" of top executives.

Although the Government announced plans in 1980 to scrap 15 state enterprises and change the legal status of 11 others, the reforms concerned mostly small companies, and only three were sold to private investors.

However, during the past seven years the Government has divested its interests in 25 enterprises in agricultural processing, commerce, tourism, industrial and public works sectors, officials point out.

Private management has also been appointed to run two cocoa factories and an hotel chain.

The new list includes companies in which the Government has only minority stakes. The list also includes some of the country's largest state enterprises such as Petroci, the national oil company, Sitram, a shipping company, Air Ivoire, and Caisse de Stabilisation, the cocoa and coffee marketing board.

Talks are already in progress with prospective private investors to purchase government equity in 12 companies, officials say.

France's Cacao Barry is negotiating for API, a cocoa processing company, while two of the country's largest cocoa exporters, Sifca (part of the Tardivat group) and Etablissements Jean Abile Gail, are understood to be interested in taking over Procaci, another cocoa factory.

Observers point out that the country's difficult economic situation, due to depressed world commodity markets, may discourage private investors and that it could take the Government a long time to sell off all its industrial interests.

Wattie links with F&N to win Cold Storage

By Roger Matthews in Singapore

WATTIE INDUSTRIES, the New Zealand food company, is to link up with Singapore's Fraser and Neave (F and N) in Wattie's effort to win control of Cold Storage Holdings which operates the island's largest supermarket chain.

Wattie has offered Queensland Trading and Holding Company S$4.25 a share for its 34.2 per cent stake in Cold Storage. It has now been announced that if Wattie is successful it will set up a joint venture with F and N — best known as a soft drinks manufacturer — and the new company would then make a general offer for all the remaining shares in Cold Storage.

However, the New Zealand company intends to retain for itself the 17 per cent stake it already holds in Cold Storage.

Trading in Cold Storage shares has been suspended for the three weeks since the proposed offer was made and it could be several more weeks before Queensland Trading makes its response known.

Brokers report growing investor concern at the continued suspension of Cold Storage, especially as the price offered to Queensland Trading of S$4.25 is significantly below the last traded price on the exchange of S$4.84.

Wattie's link with F & N also means, however, that it would be that much more difficult for any rival bidder to succeed.

● The New Zealand High Court heard yesterday that all but two objectors have now consented to the proposed merger of Wattie and Goodman Fielder, another large Australasian foods group, Reuter reports from Wellington.

The two remaining objectors are United Wheatgrowers and Defiance Mills.

The court is hearing an appeal by Wattie and Goodman Fielder against a Commerce Commission decision rejecting their merger proposal on monopoly grounds. Wattie has undertaken to make further divestments, and Mr Tom Gault, the commission's counsel, said that since the objectors' principal concerns had now been met, those of the Commerce Commission had also been met. Some 15 objectors have now consented.

Bank of New Zealand confident of forecast

BY DAI HAYWARD IN WELLINGTON

MR RON BRIERLEY, chairman of Bank of New Zealand, told shareholders at the annual meeting yesterday the bank was confident of reaching its earlier forecast profit of NZ$175m (US$102.3m) for the year to next March despite greater competition in the country's banking sector.

It was the first annual meeting of BNZ for 40 years and followed the sale by the government of up to one-third of the bank to private shareholders last year.

The arrival of eight new financial institutions as registered banks in New Zealand has created considerable competition but BNZ was well placed to cope with this, Mr Brierley said. It would continue its expansion both at home and overseas and was developing new services to take advantage of modern technology.

The bank had decided to pay one third of the net profit as a dividend and in the current year a 7 cents a share payment would be made in December. Net profits for last year were NZ$148.5m.

Bridgestone profits up 54% so far

By Yoko Shibata in Tokyo

BRIDGESTONE, the Japanese company which accounts for half the country's car tyre market, boosted pre-tax profits by 55.4 per cent to Y28.86bn ($191.9m) in the first half to June.

Net profits were 82.3 per cent higher at Y11.69bn, and the company ascribed the good showing to a drop in material costs and cost-cutting measures.

This was achieved despite sales which slipped 4.2 per cent to Y259.9bn, affected by sluggish demand for new automotive tyres sales which fell 5 per cent to account for 79 per cent of the total. This reflected the slowdown in vehicle exports during the period, as well as pressure from car makers to cut tyre prices. However, sales of repair tyres were strong.

Foreign exchange gains and profits scored by active fund management assisted the steep earnings improvement. Bridgestone's interim dividend is unchanged at Y5 per share.

Full-year pre-tax profits are projected at Y51bn, up 29 per cent from the previous year. Net profits are forecast at Y20bn, up 71 per cent, on turnover of Y540bn, down 1.4 per cent.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE JULY 24 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.390	0.686	9.702	8.440
Australian Dollar	13.744	−0.051	14.735	13.692
Canadian Dollar	10.519	1.203	10.776	9.372
Euroguilder	6.131	1.372	6.250	5.804
Euro Currency Unit	8.681	0.684	8.882	8.219
Yen	5.949	1.277	6.433	5.218
Sterling	10.129	4.037	11.609	9.443
Deutschemark	6.146	1.235	6.496	5.890

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Philips helped to 19% rise by cost-cutting drive

BY LAURA RAUN IN THE HAGUE

PHILIPS' STRUGGLE to cut costs is beginning to show results with the Dutch electronics group showing a rise of 19 per cent in first half profits, despite an 8 per cent drop in sales.

Net income rose to Fl 420m ($200m) in the first six months from Fl 352m a year earlier on wider profit margins resulting from lower costs and slightly higher selling prices.

Factory closures, job cuts and more automation in recent years are gradually trimming overhead costs and enabling Philips to offset the negative effects of foreign exchange rates.

"All this reorganisation has one aim—to improve profits . . . and we are seeing a step by step improvement," Mr Robert Spinosa Cattela, the board member in charge of finances, said yesterday. By the end of this year Philips expects to have 1 per cent fewer employees than at the end of 1986.

Operating income climbed 9 per cent to Fl 1.53bn in the June period from Fl 1.4bn. "Despite our competitiveness being undermined by changes in exchange rates the restructuring process carried out over the last few years made it possible to limit the reduction in operating income in Europe," Philips said. "In the US and Canada, Latin America and Asia operating income improved substantially."

Revenues fell to Fl 24.16bn, the lowest first half sales in four years, from Fl 26.36bn a year earlier under sharp downward pressure from the strong guilder.

The negative currency effect will continue for the rest of the year, albeit less pronounced, and Philips expects sales volume to rise only 5 per cent, instead of 6 per cent for the year as a whole. Earnings for 1987 are still forecast to rise above those in 1986.

In the second quarter, net income edged up only 3 per cent to Fl 215m from Fl 208m with Signetics, the US integrated circuit unit, finally moving into the black for the first time since 1983.

Deutsche Bank interim profits drop 31%

BY HAIG SIMONIAN IN FRANKFURT

PARTIAL OPERATING profits at Deutsche Bank, West Germany's largest commercial bank, fell by 31.3 per cent to DM 666m ($358.7m) at parent company level in the first half of 1987 against the corresponding period last year

Total operating profits, which are not disclosed, but which include earnings from own account trading, were 26 per cent below their level for the same period last year.

Both comparisons have been adjusted to exclude the one-off earnings boost in 1986 following the flotation of shares in the former Flick industrial group.

The results reflect the expected downtrend in German bank earnings this year as a result of the weaker business climate and lacklustre stock market.

However, profits for the full year may still be "satisfactory," as lending risk provisions may be lower than in 1986.

Interest earnings at Deutsche Bank fell to DM 2.12bn in the six months, against DM 2.74bn in the same period last year. Commission income decreased to DM 724.5m from DM 831m last year, almost entirely on account of this year's weaker earnings from equity commissions and placings.

Profits from own account trading in securities were similarly affected, though foreign exchange and precious metals earnings maintained last year's good performance. Total assets of the parent bank increased by 0.9 per cent to DM 161.3bn compared with December 1986.

Group total profits also fell in the first half of 1987 compared with the same period last year, though by less than those of the parent bank.

Group business volume went up by 1 per cent to DM 264.4bn. Domestically, commercial banking business only rose slightly, while it remained static on the mortgage banking side. Foreign business volume decreased, partly as a result of the strong Deutschemark.

● Bayerische-Hypotheken und Weschel Bank (Hypobank), Germany's sixth largest bank, reports partial operating profits of DM 408.5m for the first half of 1987 against DM 448m for the same period last year.

The bank's total operating profits were only slightly lower, however, thanks to "pleasing" results from own-account trading.

Interest earnings of DM 876m in the first half of 1987 were ahead of the DM 851m earned in the first six months of last year, with the bulk of the improvement coming through higher interest earnings in mortgage banking business.

Commission income of DM 151m fell below the DM 164m earned at the half-way stage in 1986, largely as a result of the weaker stock market.

Munich Re makes solid start

BY HAIG SIMONIAN IN FRANKFURT

PREMIUMS AT Muenchener Rueckversicherung (Munich Re), the world's largest reinsurance company, improved by 1.5 per cent to DM12bn ($6.46bn) in the year ended on June 1987, against DM11.8bn the previous year.

Overall results were "satisfactory," and would be "sufficient to pay an unchanged dividend" said the company. Munich Re paid shareholders DM9 a share on after tax profits of DM565m last year.

Domestic turnover rose more slowly than in the previous business year, with premium income from fire reinsurance falling slightly. However, underwriting income was somewhat higher on the important motor side.

Foreign reinsurance premiums fell slightly below last year's level in D-mark terms as a result of currency factors, and the business had in fact developed "very positively."

Underwriting earnings, while subject to sharp regional differences, would again be showing a loss similar to last year's DM482m. Liability and motor underwriting had been less profitable, while virtually every other area had developed positively.

Domestic underwriting earnings had been "positive" overall, said the group, though reinsurance had shown a loss. Foreign results had improved largely thanks to "very noticeable" rises in profitability in the aircraft and fire re-insurance business, though liability underwriting had again proved difficult.

Munich Re's investment income this year, which was not disclosed, would be roughly similar to last year's level. The company would again substantially be replenishing its reserves. Full audited results will be announced in November.

Pierre Legris takes chair at Potain

BY GEORGE GRAHAM IN PARIS

MR PIERRE LEGRIS yesterday stepped into the chairman's seat at Potain, bringing to an end the controversy over his family company's takeover of the leading French crane manufacturer.

Legris won control of Potain last week by buying the 49.8 per cent stake held by C2P, a joint holding company used by the state sector banks Credit Lyonnais and Societe Generale to bail Potain out in 1985, after the collapse of the market for tower cranes.

The decision of Credit Lyonnais and the recently privatised Societe Generale to sell to Legris drew a bitter denunciation from Mr Pierre Durand, chairman of Potain, who had been trying to organise an employee buy-out of the company.

Ironically, Legris also bought a 3.82 per cent stake held by IDI, the development capital company which was itself recently privatised through an employee buy-out.

Likening himself to Cincinnatus handing power back to the Senate after saving the threatened Republic, Mr Durand noted that he had turned the company round from a loss of FFr 94m in 1984 to a profit of FFr 12m ($1.9m) in 1986.

Marzotto plans L60bn rights

MARZOTTO, the Italian textile group, plans a L60bn ($44m) rights issue this autumn to help finance its L168bn acquisition of Lanerossi, the textile arm of ENI, the state energy concern.

Marzotto said the operation will be put to shareholders at a September meeting. The company plans to issue 12.06m ordinary shares on a one-for-five basis.

Marzotto said the new shares also will be offered to holders of convertible bonds. Marzotto, which is listed on the Milan bourse, said it would consider asset sales and medium-term financing, in addition to the rights issue, to pay for the acquisition.

Reuter

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Japanese equity-related launches total $930m

BY CLARE PEARSON

A TOTAL of $930m of Japanese equity related debt was unleashed on to the Eurobond market yesterday as the continued improvement in Tokyo share prices spurred lead-managers to wheel out previously postponed issues.

Primary market dealers complained that their books had once again become overloaded, but added that the equity warrant bonds were appearing at more reasonable prices than previously, though their terms were still stacked in favour of the borrowers.

This week indicated coupons on new warrants bonds have been pushed up to 3 per cent and above, after having fallen as low as ⅞ per cent at the end of last month. But dealers say a further ½-odd per cent is still needed in most cases to value the warrants in line with secondary market trading levels.

Two convertibles for Japanese banks, Mitsubishi and Kyowa, which also tapped the Swiss franc market yesterday, proved the most popular of the equity linked deals. These traded respectively at par and 99½ bid, helped by the recovery in bank share prices in Tokyo over the last week.

Both 15-year par-priced issues bore indicated 1¾ per cent coupons, but Mitsubishi's, led by Mitsubishi Finance International, was for $300m while Kyowa's, led by Kyowa Bank Nederland and Nikko, was for $100m.

An unusual convertible for a corporate, Hitachi Cable, emerged on similar terms led by Yamaichi International (Europe). This $60m deal traded at less 1½ bid.

Among the equity warrants bands, two deals for pharmaceutical companies stood out as the most successful. These were a $150m deal for One led by Nikko Securities (Europe) and a $100m bond for Fujisawa led by Yamaichi International (Europe). Both five-year par-

INTERNATIONAL BONDS

priced bonds came with 3 per cent coupon indications and both traded at less 1½ bid.

Investors found Nikko's $150m bond for NGK Insulators less attractive, though it bore similar terms. This was bid outside 2½ per cent fees at less 3.

But a $70m bond for Prima Meat Packers fared worse, dropping to less 3½ bid despite its indicated 3½ per cent coupon indication. Dealers said this reflected diminishing interest in domestically orientated stocks, given the rise in Japanese interest rates, and the fact that the lead-manager, Nippon Kangyo Kakumaru (Europe) was not well-known as a lead underwriter.

Sumitomo Finance International launched a $50m five-year floating rate note paying six-month London interbank offered rate plus 1/16 point, secured on 15 Japanese ex-warrant bonds. The bond was issued by Smart One, a special purpose vehicle, and priced at 100.10.

The Eurodollar market weakened as continued congressional delay over approving an increase in the US Federal Government's debt ceiling unnerved the market.

Nevertheless, Goldman Sachs International announced a new $150m bond for Ford Credit Canada.

Dealers were unenthused by the bond, as its seven-year maturity was considered too long for current market conditions and its 70 basis point initial yield margin over US Treasury bonds looked slightly tight. But some said its 9¼ per cent coupon could be optically attractive. Prices at 101⅞, it was bid ½ point outside fees at less 2.

Salomon Brothers International's two-tranche DKr 450m deal for Nordic Investment Bank was expected to find strong demand from investors in Belgium and Luxembourg.

The issue comprises a DKr 150m 3½ year 10⅝ per cent tranche priced at 101½, and a DKr 300m 6½ year 10⅝ per cent tranche priced at 101½. Both portions were bid at the level of their total fees.

In the domestic D-Mark market, prices gained up to 20 basis points on professional short covering in response to the easier dollar. Prices of D-Mark Eurobonds firmed by up to ¼ point, with more recent issues and 10-year bonds meeting the most demand.

In Switzerland, prices of both straight and some equity linked bonds closed slightly higher but activity was subdued. A SFr 150m 5¼ per cent 15-year issue for the Province of Newfoundland saw active grey market trading, quoted at 99⅞ bid compared with a 100¼ issue price.

Credit Suisse launched a two-tranche convertible for Mitsubishi Bank. The SFr 250m five-year private placement has an indicated ½ per cent coupon, while that of the SFr 150m seven-year public bond is ¾ per cent. Both portions are priced at par.

Handelsbank NatWest led a SFr 100m five-year par-priced convertible for Kyowa Bank, with an indicated ½ per cent coupon.

Head for Chemical Swiss unit

CHEMICAL BANK has named a new head of securities trading at its Swiss securities subsidiary, Chemical New York Capital Market Corporation, writes Stephen Fidler.

He is Mr Patrick Voegeli, who is returning to Chemical after military service in Switzerland.

The bank also said that Mr Patrice Favre, formerly a dealer with Citicorp (Switzerland), had also joined Chemical in Geneva as a senior securities dealer.

Mr Voegeli replaces Mr Andre Heusser, who resigned along with four other traders last month following the dismissal of Mr Jean-Claude Birschler as general manager and managing director of the operation.

Chemical has been emphasising what it says is its commitment to the Swiss capital market since the resignations, which amounted to about a third of its trading staff in Geneva.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 29

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Austrian bank to seek quotes in Germany

By Judy Dempsey in Vienna

LAENDERBANK, Austria's third largest bank, is to list on the Dusseldorf and Frankfurt stock exchanges, a percentage of the shares which the Government will sell off in the autumn.

The decision was announced yesterday at the same time that the bank reported substantial profits for the first six months of 1987 and said it would raise two new bonds.

Laenderbank is seeking the permission of Mr Ferdinand Lacina, the Minister of Finance, to sell off a percenttage of the state's 60 per cent share in the bank. Under the terms of the recent privatisation law, the Government is to sell off part of its shares, but will retain at least 51 per cent.

Operational profits for the first six months were up 13 per cent compared to the same period of last year. Expenditure increased by 10 per cent and executives are optimistic that the steady increases in profits can be sustained.

Total assets in the period rose by 2.5 per cent, to Sch 282.7bn ($15.5bn). However, the bank expressed some dissatisfaction with spreads, which averaged 1.8 per cent. "Compared to the Swiss or West German banks, this is a low level base," Laenderbank said.

Every year, Laenderbank raises an average of Sch 150m from the Vienna stock exchange. Next autumn, however, it will executives admit the figure is low, but say they are waiting to test the response of foreign investors, who in recent weeks have been taking a keen interest in the Vienna market.

A further issue with a nominal value of Sch 150m will be raised next year, bringing the bank's share capital up to Sch 1.7bn.

Tokyo SE acts to re-list US foods group

By Yoko Shibata in Tokyo

THE TOKYO Stock Exchange has applied for Ministry of Finance approval to re-list Borden, the US foods and chemicals group, on its foreign section in late August.

Borden delisted its shares from the TSE in September 1977. It has decided to return to the exchange because of the rapid expansion of the Japanese capital market.

In addition to Borden, Paribas, the French investment banking house, and Unisys, the US computer group formed by the merger of Burroughs and Sperry, also planning to return to the exchange.

Borden, first listed on the TSE in 1974, withdrew three years later because of lack of interest from investors and the high cost of maintaining its quote, including the requirement of double auditing in both the US and Japan.

The TSE began trading in foreign stocks in December 1973 with six issues listed. The list reached a modest peak of 17, in 1977, but had fallen to 10 in May 1984.

In addition to the relaxation of disclosure requirements by the TSE in 1983 and legal changes implemented by the MoF in 1984, the trading hours for foreign stocks were extended to the same hours as those for domestic stocks.

These improvements have contributed greatly to a renewed expansion of the foreign stocks section of the TSE. Some 60 foreign companies are currently listed. Borden will be the first of the seven foreign companies that have withdrawn from the TSE to return.

Borden said yesterday it has no plans to issue new shares or make a secondary offering before the TSE listing next month.

Swiss index behind schedule

A CONTINUOUSLY updated Swiss share index will be introduced on September 1, around five months behind schedule, Reuter reports from Zurich.

The Zurich Bourse said the delay was due to the fact that it had taken longer than anticipated to compile the historical data necessary to provide comparisons.

The index, which will be updated every three minutes, will cover all shares and participation certificates traded on the Zurich, Basle and Geneva stock exchanges, as well as certain over-the-counter stocks.

Its introduction is seen as an essential prerequisite for the start-up of the electronic Swiss Options and Financial Futures Exchange, scheduled for March 1988.

Janet Bush reports on the rush for new call warrants

Gilt houses get into the SWING

LAST WEEK saw the unlikely combination of a plunging UK government bond market and a rush of new call warrants into gilt-edged issues.

Five teams, four of which comprised a US securities house and a British institution, took advantage of new Stock Exchange regulations and the Bank of England's go-ahead on July 20 to the issue of warrants. The warrants, already nicknamed SWINGS (sterling warrants into gilt-edged stocks), are effectively tailor-made options to buy or sell a specific gilt.

The Bank of England, which earlier this month paved the way for their issue by setting up a prudential framework, sees the warrants as an addition to the instruments already available for hedging positions in the gilt market.

The move to allow the issue of warrants came in response to intense interest, particularly from the US securities houses already active in packaging and selling hedging instruments in their own domestic market.

On the logistical level, the first week of warrant issues appears to have gone smoothly. The Bank of England instituted a strict queuing system, ensuring that an already rather bemused institutional investment community was not faced with more confusion than was necessary.

The launches seen last week cleared the Bank's list of eager issuers; the way is now clear for any house which can brave the current difficult market conditions to make any further offerings.

The ability to sell issues out appears to have been mixed. The joint issue on July 20 by Salomon Brothers and Samuel Montagu through its gilt-edged market maker Greenwell Montagu, chosen by the Bank of England as the trailblazer for this new market, was notable for its success. The team was able to offer a further tranche of put and call options last Friday, many of which have also been sold.

Not every house found things such smooth going and it is believed that a further issue—which would have followed Barclay de Zoete Wedd's offering last Wednesday—was cancelled due to the plunge of nearly four points in the cash market last week.

In its, price volatility should provide a fertile breeding around for the uptake of hedging instruments, designed to protect investors from exactly the kind of dramatic market movements which characterised last week.

The problem for four out of five of the issuers, however, seemed to have arisen partly because they only offered investors call warrants, the opportunity to buy a specific gilt in the future.

As one gilt-edged market maker put it: "People always believe there is a market for optimism." Last week's precipituous declines, conversely, provided the ideal psychological climate for hedges against pessimism.

Only Salomon Brothers offered both call and put warrants, giving clients an option on buying and selling.

However, the apparent success of the Salomon/Greenwells issue may have a lot to do with Salomon's expertise in setting the terms on such issues after substantial experience of launching warrants into US Treasury bonds.

More important still, perhaps, is Salomon's superior placing power. A bout of pre-marketing to its stable of international clients ensured Salomon a good degree of interest and promises to buy if the price was right.

It is not at all clear that other issues met with the same response from institutional clients. Overseas investors, whose appetites for all kinds of hedging instruments have already been whetted by hard-sell US securities houses, are believed to have been most receptive to gilt warrants.

British institutions, thus far, seem to be fighting fairly shy of thm, although a handful of very large institutions, already active players in existing gilt options and futures, are thought to have bought some of the Salomon warrants.

One apparent concern among UK institutions is liquidity, given the reliance on the single market maker which has issued the warrants. Because of this, many institutions may prefer to continue using the available gilts options currently offered by the London International Financial Futures Exchange and the Stock Exchange.

It is early days yet. Mr Michael Hughes, director of BZW Gilts, the only British outfit which launched warrants last week without the involvement of a US house, said: "I believe there will be an explosion in gilt options in general and it is as well for us to recognise this and place ourselves strategically to take advantage of the business when it comes."

Interest among institutions in a new and, in some cases, perhaps more precise kind of hedge, is not the only factor involved in the evolution of a lively warrants market.

Warrants can play a useful role in hedging the book of a securities house whether involved in trading gilts or other sterling securities such as bulldogs and Eurosterling issues. Warrants can also provide a useful hedging "fit" with an existing gilt options business as well as an instrument for arbitrage on a swaps desk.

These are opportunities which, in addition to the desire to offer clients a wide range of hedging instruments, will help shape the SWINGS market for the future.

GILT WARRANT ISSUES

Issuer	Underlying Gilt	Type	Exercise Price (Sterling)	Warrant Price (pence per 100)	Warrant Life (months)
Salomon	8¾ 1997	Call	100 11/32	2.4	12
		Put	96 11/32	2.4	12
Chase	11¾ 2003/07	Call	123	2.125	5
BT	10 1993	Call	105¼	0.950	12
Goldman	12¼ 2003/05	Call	130½	2.625	6
BZW	13½ 2004/08	Call	139	3.27	10

Sterling commercial paper shows growth

BY STEPHEN FIDLER

THE STERLING commercial paper market yesterday showed signs of a gathering momentum, with the publication by the Bank of England of figures showing that the amount of outstanding paper grew in June for the sixth successive month.

The figures showed that outstanding paper rose £285m in June to £1.66bn at the month-end. The market, launched in May 1986, surpassed the £1bn mark in April, when it grew to £1.24bn by the month-end. New commercial paper issued totalled £1.45bn, while that redeemed amounted to £1.16bn.

Proponents of the market will take heart from the fact that none of the June increase was due to a rise in the holdings of paper among financial institutions. In fact, holdings reported to the Bank by the monetary sector fell £41m during June to £407m. Holdings by banks are regarded as a sign that dealers may be holding on to paper which they cannot sell to other investors.

A total of 49 companies have issued paper since the market's inception, while during June the Bank was notified of new programmes from a further nine companies, with a maximum £885m issuable.

In recent months, the rise in commercial paper issuance has been linked with heavy sales of commercial bills, or acceptances, by the Bank of England from its so-called bill mountain.

Dealers believed the sales by the Bank had raised yields on the acceptances, making commercial paper cheaper for borrowers. The Bank had been selling the acceptances to neutralise the impact on the domestic financial system of heavy foreign exchange intervention

In June, however, the bill mountain increased for the first time since Febraury. The amount of bills held by the Bank's Issue Department rose by £1.61bn to £3.82bn.

The Bank said 33 UK companies had paper outstanding totalling £1.08bn, while 10 overseas companies, issuing with guarantees from their UK parents, had issued a total of £563m.

UK COMPANY NEWS

Mercantile House profits drop 44% to £43m

BY CLAY HARRIS

Mercantile House Holdings, the financial services group which has recommended a £507m takeover bid by British & Commonwealth Holdings, yesterday reported a 44 per cent fall in pre-tax profits from £75.4m to £42.7m.

The decline, which had been forecast, largely reflected a reduced contribution from its Oppenheimer securities business, after the disposal of 82 per cent of two subsidiaries, and an exceptional £8m loss arising from an Australian shares transaction.

It was also a manifestation of start-up costs and fierce competition experienced by its UK investment banking operations immediately after Big Bang.

Mercantile also took an extraordinary charge of £2.8m (£600,000 credit) to reflect the early redemption of debt and reference stock hold in Oppenheimer Group and the adjustment of provisions relating to the disposals.

No final dividend is planned, against 9.75p last year, but directors said the decision would be reviewed if the B and C takeover did not proceed for any reason. Mercantile has given a cool reception to alternative proposals by Quadrex Securities which envisage a partial demerger of the group.

Turnover increased by 6 per cent to £409.3m (£385m) in the year to April 30.

Investment banking and securities activities suffered a pre-tax loss of £1.6m (£42.7m profit). Mercantile said the loss was "not unexpected." Rewards from its investment would take some time to come through and "several years of approximate break-even performance are to be expected."

The division this year will include a 100 per cent contribution from Alexanders Laing & Cruickshank against 29.9 per cent in 1986-87.

Mercantile reported higher pre-tax profits of £40.9m (£30.1m) from wholesale broking and £15.9m (£12.6m) from fund management.

A tax charge of £25.1m (£31.5m) reflected an effective rate of nearly 60 per cent, in part because of limited tax relief on the Australian loss. The underlying tax rate on ordinary activities rose to 51.6 per cent from 41.8 per cent last year.

The company had moved into activities carrying higher tax rates but also suffered from the reduction of annual benefits from tax planning measures in the US as well as US withholding tax on the repatriated proceeds of its Oppenheimer disposal.

The decision not to pay a final dividend avoided an even higher tax charge which would have arisen through unrelieved ACT.

Fully diluted earnings per share fell to 18.26p, or 25.91p before the exceptional item, against 50.04p last year.

Trafalgar disposes of 5.9% Davy stake

By Nikki Tait

Trafalgar House, the shipping, property and construction company, yesterday disposed of its 5.98 per cent stake in Davy Corporation, the large engineering and construction group.

The 5.685m shares were placed by Davy's brokers, Hoare Govett with some 40 institutional investors. Neither side would comment on the placing price beyond saying the deal would raise about £12m. However, the placing is believed to have been done at a small discount to the market price — around the 215p level. By the close, Davy shares had eased 1p to 221p.

The Trafalgar stake first came to light in early 1985, when — after months of speculation — the company disclosed a 5.5 per cent interest. The announcement came about five months after Trafalgar and Davy established a joint venture company, Trafalgar Davy Offshore, whose aim was to provide manufacturing and construction capability for North Sea oil and gas development. It also came in the midst of a profits revival at the engineering group.

Yesterday, Trafalgar said the "long-term trading relationship" between the two companies would continue; aside from the jointly-owned company, they have been involved in a number of major projects together, including the Thames Barrier. "We co-operate very happily," added Davy, "but Trafalgar felt that the holding was not particularly relevant."

Trafalgar was unable to give an average purchase price for its stake. However, in the first few months of 1985, Davy shares were trading at around 108p-120p, suggesting a profit on the stake of some £5m-£6m.

WPP

Referring to the acquisition of JWT of the US, the directors of WPP said that there was scope for revaluing or selling assets to the tune of $100m over book value. In yesterday's edition the figure was incorrectly given as $10m.

Deadline is set for TSB shares last instalment

By Richard Tomkins

TSB, which was floated on the stock market in September last year, is about to receive a £680m cash injection through the payment of the second instalment on its shares.

The bank yesterday wrote to its shareholders reminding them that they had paid only 50p of the 100p issue price last year, and that the deadline for paying the second 50p instalment would be Tuesday, September 8.

Some 5m people applied for TSB's shares when they were offered for sale last year. The demand was so heavy that a ballot had to be used to reduce the number to 3m, of whom about 1.25m were customers and employees.

The number of shareholders on the register has now fallen to 2m. If they do not meet the deadline for the second instalment, they will risk losing their right to the shares they hold as well as any entitlement to bonus shares.

The share price will start being quoted on a fully-paid basis on September 1, when it will appear to rise by 50p.

Honorbilt to join Third Market with £4.9m tag

BY PHILIP COGGAN

Honorbilt Group, clothing designer, importer and distributor, formerly a subsidiary of Austin Reed, is joining the Third Market via a placing. Jacobsen Townsley is placing 8m shares, 32.5 per cent of the equity, at 20p each, giving the group a market capitalisation of £4.9m.

In July 1986, a company controlled by Mr Harold Tillman acquired the whole of the issued capital of Honorbilt.

Mr Tillman was formerly vice-chairman of Sumrie Clothes, the textiles group of which he obtained control by acting in concert, under Takeover Panel rules, with Mr Harvey Michael Ross, the bullion dealer, in 1983. It transpired that Mr Ross had been buying shares in the market above the bid price, and the Takeover Panel insisted on Mr Tillman and Mr Ross increasing their bid.

Mr Tillman was on the Sumrie board a little more than a year, resigning in August 1984. In the year to March 1984, Sumrie's pre-tax losses increased to £242,000 from £36,000.

Mr Tillman was also managing director of Lincroft Clothing, part of the Lincroft Kilgour textiles group, recently taken over by Priest Marians, the property company. He resigned in 1973 after what the company described as a sharp deterioration in the results of that division.

The Honorbilt group has improved its performance since Mr Tillman took control and is forecasting pre-tax profits for the year ending April 30 1988 of £450,000, compared with a £73,000 loss in the 64 weeks to April 30 1987. The group has expanded its range and has recently introduced a new brand name of men's clothing called Big Steel.

None of the existing shareholders, who include Mr Harold Sorsky who was also a director of both Lincroft Kilgour and Sumrie, is selling shares in the offering. The prospective p/e at the placing price is a little less than 17.

Terry Dodsworth and Christopher Parkes on Thorn's £371m bid

The US link in a global chain

AFTER A couple of years of grim retrenchment, Thorn EMI returned to the takeover scene yesterday in a very much different shape from the one in which it made such a splash in the early 1980s.

Gone are the ambitions of becoming one of the leading players in the world information-technology industry. The vision of a software-intensive, high value-added group capable of making anything from semiconductors to televisions has been abandoned. Whole swathes of manufacturing activity have been eradicated, trimming the group back to its rental and retailing business, music production, the electronics defence and software division, and lighting.

While pushing through this transformation, Thorn's top management team has made little secret of its increasing commitment to the rental and retailing business. This is an area where the company has been able to achieve high returns over the past few years when much of the rest of the Thorn empire was crumbling beneath its feet. It fits well with the group's new and less futuristically ambitious approach of investing in areas where it has proven expertise and a record of healthy margins.

Rent-a-Center, the US company on which it is splashing out £371m (£232m), also fits another of the group's objectives—to establish itself in the North American market as a counterbalance to its UK and

Colin South gate, chief executive of Thorn EMI

expanding European activities. Thorn, says Mr Colin Southgate, the group's chief executive, is aiming to generate 50 per cent of its earnings outside the UK. To achieve this, it needs to become a global operating company in its chosen range of businesses; the US is a vital link in this chain, accounting for about £2.5bn of the estimated £30bn world market in consumer electronic goods.

Thorn has had to pay a stiff price to gain this entry to the US—at $27 a share, it is giving Rent-a-Center shareholders a premium of about 17 per cent to the recent market price.

But this is not surprising, and was certainly not causing flutters in the City yesterday, where Thorn was able to place an issue of new share to finance the acquisition in a rapid early morning call on institutional investors. Other UK investors have had to dig into their pockets in a similar fashion, notably Dixons, the group's arch-rival in the UK market,

RENT-A-CENTER

	Company operated stores	Net income (US$)
1982	52	2.8
1983	76	3.7
1984	93	5.1
1985	137	7.3
1986	202	9.9
1987 (est)	270	13.8

which shelled out $400m to gain control of the Silo electrical superstores in March.

Against this hefty financial commitment, Thorn can argue that it is buying into a significant and fragmented growth market at a propitious moment.

In the UK, the concentration of retailing power in the consumer electrical market has already reached the point where it will be hard for the market leaders—such as Thorn and Dixons—tograsp still more. But the US is a very different matter, with a market which is characterised by large regional variations and large numbers of smal to medium-sized companies.

The rental business, which Thorn has made its speciality, is even more broken up and ripe for rationalisation. Historically, the rental industry has had a poor image in America, partly because of the US prediliction for owning assets, and partly because it has been riddled by failures that have left consumers stranded.

In the past few years, however, this view of the industry has been steadily changing. Companies like Rent-A-Center have come into the market with the aim of establishing national rental chains. They have brought with them the professional management techniques that have emerged from the hotel and catering industries, pioneers in the development of national consumer marketing strategies.

"Rent-A-Center is undoubtedly one of the companies that have helped to make the industry credible in the US," says Ms Beth Semmel, an analyst at Kidder, Peabody, the US investment bank.

Ms Semmel believes that Rent-A-Center could maintain a profits growth rate of about 28 per cent a year over the next five years, and that most of this could be financed from internally generated funds.

This performance would be a little less than Thorn is hoping to achieve—it was talking yesterday of a 35 per cent rate of expansion. But if it achieves that, it will be enough to satisfy the City. Analysts in London have been sceptical about the growth prospects of the rental business in the UK. But yesterday they were talking about the prospects in the US as though it was a completely different business.

Laird chief executive joins Cambrian

Mr John Gardiner, chief executive of Laird Group—whose interests range from engineering to transport systems—is joining the board of Cambrian & General, the UK investment trust previously run by disgraced New York arbitrageur, Mr Ivan Boesky. Mr Gardiner is known to Cambrian's new chairman, Mr David Hobson, who sits as a non-executive on the aird board.

Cambrian & General has seen a couple of departures recently. Mr Stephen Conway, a former associate of Mr Boesky, resigned two months ago; he was president of the Ivan F. Boesky Corporation until February 1986. Baron E. de Rothschild has also left the board, so there will now be five directors.

KIO/Hillsdown

The Kuwait Investment Office, which has been reducing its stakes in a number of companies recently—among them Hanson Trust and Norfolk Capital—yesterday announced an increase in its interest in Hillsdown Holdings, the food and furniture group.

It has acquired a further 2m shares, taking the total amount held in Hillsdown to 33.7m or 8.2 per cent.

The KIO is a fairly long-established investor at Hillsdown and has taken up its entitlements under the two share placings made over the past year.

KLEEN-E-ZE Holdings shares were suspended at 5 pm yesterday at the company's request, pending an announcement.

Objection to Olives plan to boost capital base

BY MIKE SMITH

The battle between Olives Paper Mill and its biggest shareholder was last night threatening to intensify after the company announced talks aimed at boosting its capital base.

Olives said the plan it was considering would involve a third party acquiring a significant stake in the company but would not elaborate.

However, Melton Medes, the paper and carpet manufacturer which owns about 19 per cent of the company and is highly critical of the board, said it had spoken to Olives about the plan and would oppose it unless changes were made.

Olive's announcement followed a sharp rise in the price of its shares which were yesterday suspended at 108p after gaining 32p. At the beginning of June they were trading at less than 100p.

Mr Nathu Puri, Melton Medes chairman, said he was unhappy with the plan being considered by Olives because it did not involve a rights issue. He is also pressing for three new appointments to the board.

Earlier this year the Olives board cancelled controversial clauses, specifying 24 months pay if more than a quarter of the group's equity changed hands, in their management contracts. Their decision followed strong pressure from Melton.

A move by Melton to unseat two directors was defeated.

Mr Puri said yesterday his company believed Olives's full potential was not being realised.

Olives would not comment yesterday but earlier in the year Mr Aubrey Heyer, chairman, said the company was grossly undercapitalised. The company was seeking to diversify into paper conversion and needed to increase productivity.

Last year Olives made pre-tax profits of £64,287 on sales of £8.3m, against a loss of £54,095 on sales of £8.73m in 1985.

At yesterday's suspension price it is capitalised at £8.4m. The company said it would make a further announcement during the next few days.

UPL joining Third Market

UPL Group, a food importer and distributor, is joining the Third Market via a placing which values the group at £4.4m. The group imports specialist foods such as truffles, snails and espresso coffee.

It also has a bulk vegetable oil business which accounts for about 20 per cent of turnover and which was affected last year by the fall in vegetable oil prices from around £700 to £210 per tonne. As a result, pre-tax profits for the year to January 31 were down at £338,000 (£457,000)

Strauss Turnbull is placing 1m shares, or 24.8 per cent of the equity, at 110p each, to raise £1m for the company.

LFIG looking to raise its dividend

The London Finance and Investment Group, formerly East Rand Consolidated, raised its profits from £285,500 to £300,600 pre-tax in the first six months of 1987.

The board looks to the second half with growing confidence that it will be possible to make an increase in the dividend for the year — 1.1p was paid previously.

Operating income for the opening half year rose to £413,600 (£372,300). After tax of £79,000 (£97,100) earnings worked through at 0.8p (0.75p). Net asset value at end-June totalled 120p (57.7p).

J. Jarvis

The board of J. Jarvis, building company, last night admitted defeat in its defence against the cash offer from Brookville Securities and agreed to invite two Brookville directors, Mr Harvey Bard and Mr Martin Reuben, to join the board.

Southend Stadium

Southend Stadium was continuing to expand its activities and prospects for further growth were very encouraging, Mr Malcolm Dagul, the chairman, told the annual meeting.

The board had decided to recommend a four-for-one scrip issue which it believed would be of advantage to ordinary holders because it would improve the marketability of its ordinary shares.

Public Works Loan Board rates

Effective July 29

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
1	—	—	9½	—	—	10¼
Over 1 up to 2	9¾	9¾	9⅞	10¼	10¼	10⅜
Over 2 up to 3	9⅞	9¾	9⅞	10⅜	10⅜	10½
Over 3 up to 4	9⅞	9⅞	9⅞	10⅜	10⅜	10½
Over 4 up to 5	9⅞	9⅞	9⅞	10⅜	10⅜	10⅜
Over 5 up to 6	9⅞	9⅞	9¾	10¼	10¼	10¼
Over 6 up to 7	9⅞	9⅞	9¾	10¼	10¼	10¼
Over 7 up to 8	9¾	9¾	9¾	10¼	10¼	10¼
Over 8 up to 9	9¾	9⅝	9¾	10¼	10¼	10¼
Over 9 up to 10	9⅝	9⅝	9⅝	10¼	10¼	10¼
Over 10 up to 15	9½	9½	9½	10¼	10⅛	10¼
Over 15 up to 25	9½	9½	9½	10¼	10¼	10¼
Over 25	9½	9½	9⅜	10⅛	10¼	10⅛

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Suter increases stake in Amari

BY MIKE SMITH

Suter, the industrial conglomerate, yesterday said that it had increased its stake in Amari, the metals and plastics group, to 13.94 per cent.

The announcement came as Evered Holdings, tipped as a possible predator for Amari, said it was not planning a bid. "We have had a look at the company and we think it is too expensive," said Mr Raschid Abdullah, chairman.

The Suter stake is seen by analysts as a spoiling tactic to warn off any other company making a move for Amari. Although Suter would like to take over Amari in the long term it would prefer to wait until it has had time to digest Mitchell Cotts, the engineering company it acquired last month.

Shares in Amari have been rising strongly in recent days, fuelling speculation that a bid may be on the way from another company.

Glynwed International, the industrial group which recently expanded its plastics interests, is considered a potential predator. It would not comment yesterday.

Shares in Amari rose 2p to 223p, valuing the company at about £70m.

Lonrho joint company in US reverse takeover

BY CLAY HARRIS

Hondo Oil & Gas, a US exploration and production concern owned by a company in which Lonrho has a 50 per cent interest, is to merge with Pauley Petroleum, a Los Angeles-based oil and gas producer and oil refiner.

The merger, which creates a company with a market capitalisation of $193m (£121m), amounts to a reverse takeover by Hondo. Its shareholders will hold more than 77 per cent of shares in the combined group. Lonrho's stake is worth $75m at yesterday's $15 price for Pauley shares on the American Stock Exchange.

Mr Robert O. Anderson, former chairman of Atlantic Richfield, is to become chairman and chief executive. He and his family own the 50 per cent of Hondo, the oil company's parent, which is not held by Lonrho, the London-based international trading group. Hondo, originally called Diamond A, is left with its farming and ranching interests.

Hondo Oil & Gas owns proven oil and gas reserves of about 43m barrels oil equivalent and Pauley 12m barrels. The merger will give Hondo access to its first refining capacity.

Mr William Pagen, Pauley chairman, owns 10 per cent of the company's shares at present. His wife, daughter of the founder, owns 20 per cent and the founder's estate, of which Mr Pagen is executor, owns another 10 per cent. Mr Pagen said his position in the combined company had not yet been determined.

Stothert shares surge 63p as Hollis bids for balance

BY DAVID WALLER

Hollis, Mr Robert Maxwell's engineering vehicle, has made an offer for the 22.5 per cent of shares in Stothert and Pitt which it does not already own as a result of its rescue operation last October.

Hollis stepped in last autumn to save the loss-making crane manufacturer from imminent insolvency. It injected £4m in return for a 77.5 per cent stake and board control.

The offer of 17 new Hollis shares for every 10 outstanding S&P shares values S&P as a whole in excess of £21m. With Hollis shares up 3½p yesterday at 115½p, the terms value each Stothert ordinary share at 196½p, against a closing price of 180p, up 63p on the day.

Hollis said yesterday: "There continues to be a substantial deficit of funds attributable to ordinary shareholders and there can be no question of a resumption of dividends until the deficit is eliminated."

S&P's board thus argues that shareholders will benefit from exchanging their shares for shares in Hollis, "a much more broadly based group of businesses on a sounder financial footing."

Shareholders representing 35.2 per cent of the outstanding shares have assented to the offer, which is recommended by S&P's independent directors and their advisers, Brown Shipley.

Hollis has also made a cash offer for the outstanding preference shares.

Charles Church

Two developments with a total value of nearly £50m, combining 540 new homes, were announced yesterday by Charles Church Developments.

The developments will be in Bicester, Oxfordshire, part of a consortium project covering 130 acres, and in Uckfield, Sussex, where 66 acres have been acquired. The number of homes to be built on the two developments represents over 80 per cent of the total houses being built by the company this year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Arncliffe ....int	1.17	Sept 11	—	—	1.6
Compco Holdings	7.5	—	6.25	7.5	6.25
Drayton Far East ...int	0.4	—	0.4	—	1.2
Gibbon Lyons	2.68	—	2.32	4	3.52
Havelock Europa	‡4.5	Oct 2	2.88	6.5	4
Mercantile House ...	nil	—	9.75	4.25	14
Misys	‡1	—	—	—	—
Ocean Transport ...int	3.34	Nov 2	2.9	—	9
David S. Smith	3.5	—	2.8	5.25	4.2

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market.

Lisa Wood looks at Harris Queensway in the wake of this week's boardroom upheaval

Sir Philip tightens his grip

SIR PHIL HARRIS, chairman and chief executive of Harris Queensway is at pains to convince a sceptical City that he has quickly and firmly grasped the nettle at his furnishings to toys group.

Earlier this week, in a tersely-worded statement, Sir Phil announced he had asked Mr Peter Carr, the group's joint chief executive, to relinquish his responsibilities with immediate effect. Differences over management style and the pace of execution of change within divisions over which Mr Carr had responsibility were cited by Sir Phil as the cause.

Mr Martin Watts, Mr Carr's joint chief executive, it was announced, was now the group managing director and Sir Phil was chief executive as well as chairman.

Only a few months ago Mr Carr, who last year joined Harris Queensway from Debenhams, the department store subsidiary of Burton Group, was Sir Phil's blue-eyed boy.

In May Sir Phil said: "Peter Carr is good at building a team, good at building systems." He added that Mr Watts, who formally took up his post on July 1, had complimentary qualities so together the two made a team of considerable strength.

The strategy was for the two new entrants into Harris Queensway to consolidate the rash of acquisitions—including Times Furnishing and Home Charm from Great Universal Stores—made by the group last year and to inject a new note of sophistication into a group that some in the City had begun to describe as yesterday's retailer.

For while the group reported a 36 per cent increase in pre-tax profits to a record £50.1m in the year to January 25 1987, earnings per share showed little change on the 1986 figure after stripping out property transactions. The question in the City was whether or not Sir Phil, the entrepreneur of the 1970s, had run out of steam.

I a round of meetings in the City over the past few months, he has poured out a catalogue of change at his group where activities encompass furniture, carpets, electricals, textiles and, most recently, toys through the £30m acquisition of Hamleys, the prestigious London toy shop.

His list included management changes, with a new divisional structure, market repositioning of outlets and improved customer services, particularly in the stagnant carpet market. It is a strategy, he insisted this week, that remains unchanged — despite the loss of Mr Carr.

Revamping the furniture division, which accounts for almost half of the group's sales, is central to the new strategy—and it was this division for which Mr Carr had prime responsibility. Sir Phil wanted him to inject merchandising flair and fashion-consciousness into a chain, which like much of the Harris Queensway empire, sold on price. Sir Phil said: "If the City wants to fault me it was for not going into the fashion areas. But we are doing that now."

Sir Philip Harris, chairman and chief executive of Harris Queensway

For faced with the difficult furniture market, with total sales flattish for the past five years, Queensway is attempting to broaden its range and provide better quality furniture, complete with matching accessories. Colours have been toned down and mellow shades introduced, while lighting, textiles and glassware have been dotted around the beds and sofas. Queensway, said Sir Philip, has also sought to work more closely with a smaller group of suppliers.

"We had been bad at not working more closely with manufacturers on areas such as design," said Sir Phil in May." That is what we are now doing."

But the strategy has clearly not been producing results sufficiently quickly: on Tuesday, Sir Phil told the City that Queensway's results so far this year were not as good as last year—though all the other divisions, by contrast, were showing improvements.

Sir Phil said: "A lot of things are very much right at Queensway but there has not been enough attention to detail and we have to fine tune it."

Some City critics, after forays to newly refurbished stores, believe that the move to products other than furniture is bitty and not yet sufficiently comprehensive. Sir Phil hinted on Tuesday that the high costs involved in Mr Carr's implementation of change might have been one of the reasons he asked him to leave.

One analyst argued: "When Sir Phil talks of closer relationships with suppliers he really does not mean working together on new products—the key to successful retailing in the future—he means being able to twist their arms harder."

Furthermore, some City critics maintain there is a more deep-seated schizophrenia at Queensway, with the move towards a more sophisticated and fashion-conscious product being at odds with the traditional cost-conscious Harris Queensway ethos. The successful balance of those demands, they argue, has not yet been resolved. But they acknowledge that this is something which takes time.

Sir Phil's attention has also focused of late on the group's electrical division which last year suffered a £7m move from profit into loss.

The introduction of computer systems, according to Harris Queensway, interrupted stock flow. In addition, Sir Phil said, the division cut back on stock last year because of uncertainty over how it would pay for the GUS acquisitions. In the event, GUS was paid in shares, taking a near 23 per cent stake in Harris Queensway which, with Sir Phil's family shares, make the group virtually bid-proof.

Analysts argue that the electrical division, with its Ultimate and Supreme chains, has not got the scale of operations necessary to compete effectively against the giants of the industry such as Dixons.

Sir Philip, in an interview some weeks before the latest upheaval, partly conceded this criticism by expressing his desire for an acquisition for the division.

He also argued that the problems last year, when new computer systems were introduced, were unique, with sound improvement likely this year. He is also optimistic about future prospects for businesses such as Poundstretcher, the discount chain, Carpetland and Home Charm.

The latter small chain is being expanded by a strategy that runs throughout the group—that of resiting major outlets and offering the old premises to other divisions which might find them suitable to their requirements. Home Charm, for example, is moving into small Harris Carpet shops.

"During the past couple of years," Sir Phil said, "we have been picking up small, often difficult businesses and merging them with ours. You cannot turn businesses around in five minutes.

"We are in markets that are difficult, such as carpets and furniture. But we are developing them, and have increased our market share. We are moving into new areas such as toys and have developed businesses such as Poundstretcher which was started in 1980 and which could be floated off now. Nobody gives us credit for that."

Sir Phil is obviously stung by City critics.

"We have stuck down the line," he said, "at selling reasonable merchandise at a reasonable price and in the long term that strategy will come good."

But time is at a premium. And however rosy Sir Phil's vision may be, City sceptics point out that Mr Carr was his choice, and only four months ago had his full support, which must raise questions about Sir Phil's judgment.

Ocean Transport at £17m and set for expansion

Ocean Transport and Trading, land services, marine services and shipping group which successfully fought off a hostile bid from IEP (UK) in the latter part of last year, yesterday announced a £2.3m improvement in first half profits to £17.3m pre-tax.

The directors said the six months to end-June had been a period of good progress following last year's major changes in the group.

They added that OT&T was continuing to move forward with confidence and that it was planning further expansion in its priority markets.

Turnover for the half year expanded from £371.8m to £475.9m and trading profits showed an improvement of £7m at £16.5m.

The directors said the increase in trading profits reflected a 51 per cent improvement in land services and consolidation of Panocean Storage & Transport as a fully-owned subsidiary.

Trading profits also benefited from the rationalisations made in the shipping activity last year.

Pre-tax profits lacked a contribution this time from the minority investment in Overseas Containers. The investment was sold in May 1986 and for the opening period of that year its contribution amounted to £6.2m.

The associates share fell from £9m to £1.9m. Interest charges, however, gained from the cash from the sale of Overseas Containers and were reduced from £3.5m to £1.1m. Tax accounted for £5.6m (£5.3m) and minorities for £0.2m (0.4m).

On the net basis earnings per 25p share emerged 1.3p ahead at 9.3p. The interim dividend is being lifted from 2.9p to 3.34p. For the 1986 year as a whole the group returned pre-tax profits of £32.2m (£31.9m) and paid a total dividend of 9p (6.5p).

● comment

Ocean disappointed with these interims, producing about £2m less than expectations and analysts have therefore shaved full year forecasts by £3m to around £40m. At the pre-tax level land services, now two-thirds of profits, benefited by some £1.3m from the consolidation of Panocean but was held by difficulties (and lack of profitability) encountered in the integration of Jardine within the MSAS freight forwarding operation. Shipping, still an area with a high doubt quotient, swung £3.3m to a £1.9m trading profit but is burdened with a £2.1m interest bill. In the second half add-on acquisitions for land services and oil are possible and the shares at 370p are trading on a prospective multiple of 15½. Ron Brierley's IEP sold 2½ per cent (to fit the New Zealander's June year end?) and retains a 27½ per cent stake. As the dividend payout covers less than half the carrying cost of this stake, IEP must be tempted to look for ways to realise its 120p a share capital profit. Those who believe that the asset driven entrepreneur will offer £4 a share are being more than usually optimistic.

MBS buying Combro for £8m

BY RICHARD TOMKINS

MBS, the computer equipment supplier rescued at the end of 1985 through a management buy-in by two ex-IBM executives, is buying Combro, a privately-owned computer equipment distributor, for £7.9m.

The Manchester-based company distributes microcomputer products to independent dealers and major corporate customers.

MBS said the dealer supply operation was similar to that provided by its DDL business.

Combro had sales of £19.7m in the half year to last December and its shareholders have warranted pre-tax profits of at least £900,000 for the year to June 1987. The acquisition will be funded by the issue of 5.4m new MBS shares.

MBS has recently returned to profit after a period of heavy losses. In April it reported pre-tax profits of £937,000 for 1986 compared with losses of £3.41m the year before.

Mr Owen Williams, MBS's chairman, said the acquisition would enable MBS and Combro to benefit from economies of scale by integrating their operations and customer bases.

Ifincorp boosts Tranwood to £0.28m

By Nikki Tait

TRANWOOD, the hosiery manufacturer, financial services group headed by Mr Nick Oppenheim, yesterday announced pre-tax profits of £276,200 in the six months to end-June.

That compares with £93,100 in the six months to end-July last time, and reflects both increased profits from tights and stockings business and the merger accounting of fast-growing mini-merchant bank, Ifincorp Earl. Turnover is up from £3.34m to £4.4m; earnings per share have risen from a restated 0.13p to 0.34p.

Tranwood, which last year lapsed an offer for troubled financial services group Aitken Hume, acquired Ifincorp Earl, together with agency stockbroker, Ariel, on June 29 this year.

Ifincorp, founded by Mr Peter Earl and a Luxembourg venture capital concern two years ago, made £208,000 pre-tax in the first half compared with £189,000 in the last full year.

The picture is less happy at Ariel, which slumped to a £28,000 loss before tax in the first half, having made a £65,000 profit in the whole of last year. Turnover has dropped post-Big Bang and the company says all aspects of Ariel's activities are being reviewed. It adds that the client list — if inactive — is large and that there should be scope for improving performance on the back of Ifincorp new issue and underwriting business.

Bear Brand Hosiery, meanwhile, saw first half profits some £100,000 higher at £225,000 on sales up by 26 per cent. The company has introduced new plant and established a Scottish distribution network, which it says should contribute to group profit before the year-end.

Guinness planning CO2 offshoot sale

Guinness, the drinks group, is understood to be planning the sale of its carbon dioxide subsidiary.

Distillers Company (Carbon Dioxide) was acquired by Guinness in its £2.5bn purchase of Distillers, the Scotch whisky producer, last year. The company is a major producer of carbon dioxide.

Guinness has this year stated its intention of concentrating on its core international drinks businesses and retail divisions, including Martin the Newsagent.

Sock Shop

the specialist retailer whose recent USM offer for sale was heavily over-subscribed, is setting up a US subsidiary.

Sock Shop will own 85 per cent of the US operation with the rest being owned by Mr Barney Goodman, an ex-director of Mothercare who will act as a consultant, and Leperco, de Neuflize.

It is hoped that the first outlets will be opened in November.

Pilkington Brothers

Mr Antony Pilkington, chairman of Pilkington Brothers, told the annual meeting that the satisfactory profits the company was making were the direct rewards for its period of restructuring. It had built a stronger European base which was benefitting fully from much improved trading conditions.

Mercury Intl.

Mercury International, the financial services group, yesterday gained shareholder approval to change its name to S. G. Warburg Group.

Sir David Scholey, the chairman, told the annual meeting that "whilst it is much too early to indicate any expectations for the year's results, particularly in view of the greater likelihood of volatility in our earnings as our involvement in trading markets increases, the year has started well and we continue at a high level of activity."

Arncliffe Holdings

Following a return to the black for the full year ended last October, Arncliffe Holdings, property developer and contractor, which was the subject of a £3.75m bid from Govett Strategic Investment Trust last February, turned in taxable profits of £205,000, for the six months ended April 30 1987, compared with losses of £55,000. Turnover moved ahead from £2.47m to £2.64m.

And compared with a single final payment of 1.6p for the 1986-87 year the company is paying an interim dividend of 1.17p per share—last year's distribution was from profits of £252,000 pre-tax.

Tax charge for the six months was £22,000 (nil) while after an extraordinary debit of £65,000 (nil) profits available came through at £118,000 (£55,000 loss). Earnings were 3.67p (1.09p losses).

Steven Butler keeps tabs on the Aitken Hume affair

Playing down the party mood

AITKEN HUME, the financial services group, will open its annual general meeting this morning with Mr Jonathan Aitken, the Tory MP who chairs the company, apparently having smoothed over a crisis in the boardroom — at least for the time being.

The Takeover Panel was not interested in a submission of materials prepared by Mr Lawrence Strenger, an Aitken Hume director until today, aimed at providing evidence upon which the Panel could determine whether a concert party among major shareholders existed.

Even if such a party existed to exert control over the company, there was never any question of a concert to acquire shares for that purpose, and thus any allegations would fall outside the scope of the Panel.

In any case the board of Aitken Hume, and its financial advisers Morgan Grenfell, yesterday declared they were satisfied that no such concert party existed between the two major shareholders who have a declared interest of nearly 25 per cent each, built up over the past year.

These are the Saudi Investment and Finance Corporation, represented on the board by Mr Ziad Idilby, and the Lee Ming Tee Group. Mr Lee Ming Tee, the Australia-based Malaysian entrepreneur, was appointed to the board in April after Mr Idilby reversed his opposition and supported the nomination.

After Mr Strenger's submission concerning a possible concert party between the two, his position at the company became untenable and what had been a split vote to remove him from the board became unanimous.

The row has, however, highlighted a number of underlying difficulties in the rstucture of Aitken Hume's shareholding and its geographic spread of

Jonathan Aitken, chairman of Aitken Hume

business, and the question remains whether minority shareholders are well served by the present arrangements. This was the ultimate basis for the arguments that Mr Strenger raised.

Mr Strenger, an independent New York-based company adviser, was a key player in the 1984 acquisition of National Securities and Research Corporation, the US mutual fund management company, and this subsidiary is now the jewel in the crown, providing some 65 per cent of Aitken Hume's profits.

When Aitken Hume came under a hostile bid last year, from Tranwood, Mr Strenger helped to persuade the independent directors of NSR, who are charged with protecting the interests of mutual fund shareholders, to back the Aitken Hume management, thus killing a bid which otherwise would have succeeded.

Under US Securities and Exchange Commission rules, if control of a parent company changes hands, at a 25 per cent threshold level, mutual fund management contracts are automatically cancelled.

It is this threshold that has limited the share purchases of Mr Lee and Sifcorp.

A report prepared by Phoenix Securities for the Aitken Hume board pointed out the sometimes difficult relations that have existed between the US subsidiary and UK parent company.

Feelings at NSR are described as "bordering on resentment" about being the subsidiary of a British company that is less than spectacularly successful.

Mr Strenger, who was close to NSR, was sometimes seen by other board members as an outsider to the board, perhaps serving the interests of his clients, in spite of his recognised contribution to Aitken Hume.

This complicated the personal relations among board members. Mr Strenger defends his service to Aitken Hume, as do some board members.

The heavy reliance on the US subsidiary as a source of profits also involves potentially high costs for Aitken Hume, because as dividends rise, the amount of advanced corporation tax that cannot be recovered also rises, in the absence of sharply increased UK earnings.

This leaves the company with two realistic alternatives to maximise shareholders value — to expand the UK operation through acquisition or to seek a merger with a US company. Mr Strenger believes that the future of the group of companies lies in the US as do certain other directors.

Others were opposed to moving the base operation out of the UK, and Aitken Hume has begun the search for a UK acquisition.

Although it might seem attractive to spin off the US operation in order to take a profit, this would lead to substantial capital gains taxes.

The earnings multiples in the US fund management industry have also fallen below 13, from a perception that the boom in mutual fund growth is unlikely to continue. Aitken Hume is now trading on an historic p/e of 18.3, decreasing the likelihood that it could reach an attractive deal in the US.

The shareholding structure of the company, with two large blocks of shares at the 25 per cent level, is also curious, and has at the very least been the source of considerable suspicion and misunderstanding.

This has not been helpful at assuring smaller institutional investors that their interests are protected, and some have bailed out.

This shareholding structure, assuming it remains stable, could be said to provide good protection against a hostile bid. But it also means that either of these blocks of shares could effectively stymie the board by voting against special resolutions at general shareholder meetings that require a 75 per cent majority.

It would be surprising if, in the end, Mr Lee or Sifcorp did not wish to control Aitken Hume for their own purposes. The Phoenix report recommends that the two major blocks of shares be reduced for the good of the company.

Despite all of this, it is evidently speculation about a likely bid that has in part helped to underpin the Aitken Hume share price during all this turmoil.

"In such a mess as this it might be the ideal opportunity to bid for the company," said one broker yesterday.

Should shareholders, even a major one, be dissatisfied, this could provide a chance to get out, especially if the Aitken Hume board fails to re-establish a sense of control and direction.

Misys tops forecast with £0.9m

Misys, the computer systems supplier to insurance intermediaries which came to the USM in March, more than trebled pre-tax profits from £270,000 to £918,000 for the year ended May 31 1987, beating the company's forecast by 8 per cent. Turnover was 81 per cent up at £3.03m, against £1.67m.

Mr Kevin Lomax, chairman, said that although the recent acquisition of Dataller Computer Services (effective from June 1) came too late to affect the year's results, next year would reflect the combination of Misys with Dataller.

The integration of the two businesses, which now operated within the newly-formed subsidiary Misys Dataller, was proceeding successfully.

At a time when the financial services market place was rapidly expanding, the board was seeking the acquisition of other business with growth potential.

On the marketing side, the impact of the LIBRA range of products (life assurance, pensions and investment management) was beginning to show through in orders and enhanced facilities would be announced shortly.

New business continued to expand and the board expected to report substantial growth in a year's time.

Tax came to £301,000 (nil) resulting in earnings per share (weighted average) of 8.2p (4.2p).

A dividend of 1p (on enlarged capital following the Dataller acquisition) was declared.

● comment

A cynical observer of the record of USM software companies might well look askance at Misys' historic p/e of 38 at yesterday's share price of 310p. But the group seems to have found a profitable niche in the field of insurance broking and with the inclusion of Dataller, pre-tax profits could touch £2m this year bringing the prospective p/e down to a less stratospheric 23. What seems to limit the downside for Misys is the fact that 42 per cent of its revenues come from recurring income, that its products are not dependent on technology for their appeal and that its market seems to be expanding fast. For the next couple of years or so, there should be plenty of growth from insurance brokers but the long term growth prospects may depend on the success of products like LIBRA, aimed at other sectors of financial services.

Tilbury buys commercial developer

By Clay Harris

Tilbury Group, the contractor and housebuilder, is to pay £2.8m for Portal Group, a commercial property developer specialising in former large factory sites. The acquisition gives Tilbury its first commercial development interests outside south-east England.

Portal sub-divides large factory estates for smaller industrial use and develops retail premises on the periphery. Among its former factory sites, all held on long leases, are Talbot at Linwood, Thorn EMI at Skelmersdale and Courtaulds at Aintree, Liverpool.

In its most recent year, Portal lost £820,000 as the result of financing and overhead costs of projects in the early stages of development. The company had net assets of £750,000, but Tilbury said Portal's properties had been valued at £1.72m in excess of book value.

Tilbury has issued 300,000 shares, to be retained by the vendors. It has already paid all but £250,000 of the £1.56m cash portion of the price.

Havelock Europa over £3m

A FULL year's contribution from Store Design, which joined Havelock Europa in March 1986, contributed to the £2m rise in pre-tax profits to £3.16m and its shares rose 7p to 376p.

Turnover for the group, a USM-quoted store designer and shopfitter, improved from £14.32m to £35.65m in the year to April 17 with around 50 per cent coming from organic growth, said Mr Tom Corrigan, chairman. The group had started the new financial year with a substantial order book, he said, and hoped for a full listing in the autumn.

The group had strong cash reserves and would make further acquisitions if they would add complementary or specialised operations to the group's activities, he said.

Havelock's customers include Debenhams, Woolworth and Burtons. Its ability to fulfill large contracts quickly thanks to its increased capability after the Store Design acquisition had given it added edge over competitors, said Mr Corrigan. Financial services had provided more business as banks began to compete with building societies, and accounted for 10 to 12 per cent of turnover.

The volume of new business booked during the first quarter had been most satisfactory, said the directors. The continuing buoyancy in the shopfitting market, combined with the additional capacity at Plymouth, the planned factory improvements elsewhere and further investment in plant gave the confidence for further significant progress in the current year.

They planned to spend some £1.25m during the year, mostly in ensuring the group had the most efficient and modern machinery.

An increased final dividend of 4.5p (2.88p) will raise the total for the year by 2.5p to 6.5p. Earnings per 10p share worked through at 16.88p (10.89).

Liquidity remained strong and capital expenditure during the past year was comfortably accommodated within cash generated by the business, they added.

The pre-tax result was after depreciation of £805,000 (£261,000) and net interest receivable of £101,000 (£153,000). Tax charged was

Interest changes dent Compco

A substantial increase in interest payable from £5,704 to £127,865 and a cut in interest receivable from £96,712 to £2,951 prompted a fall in pre-tax profits at Compco Holdings, a Scottish property investment and development company, from £630,459 to £594,340 in the year to March 25 1987.

The directors proposed a dividend of 7.5p—up from 6.25p—for the year. Earnings per 20p share fell from 19.13p to 17.97p.

They said that as a result of increases in rents due to rent reviews, as well as additional income from the new property investments, the annual rents receivable were now in excess of £1m compared with £750,000 last year.

In the US, $100,000 (£63,000) were received in June, 1987, as a non-returnable deposit following exchange of conditional contracts to sell the Denver site, in which the company has a 50 per cent interest, at a total price of $1.2m payable on deferred terms.

Net income from property totalled £908,126 (£711,270); other income amounted to £75,615 (£63,100); extraordinary credits were £259,898 (nil); and net assets at the end of the year had risen from 501p to 636p.

Ladbroke sale to President Entertainments

By Mike Smith

President Entertainments, the leisure and restaurants group, is buying Olivers, the restaurants and bakeries company, from Ladbroke for £4.71m. It is paying by the issue of 2.14m shares which are being placed by Phillips & Drew at 220p.

For the year ended December 25 1986 Olivers made pre-tax profits of £181,000 on sales of £5.38m. Trading assets were £3.71m. That compares with President's pre-tax profits in 1986 of £2.05m on sales of £11.2m.

Olivers has 30 locations throughout the UK. Of these 19 are under direct management and the rest are franchised.

President said the interim dividend for the six months to June 30 would not be less than 0.85p.

ALBRIGHT & WILSON, manufacturer of chemicals and allied products and wholly-owned by Tenneco of the US, raised profits before interest and tax from £24.1m to £26m for the first six months of 1987. Group sales rose from £327.4m to £336.8m.

Gibbon Lyons up 32%

Gibbon Lyons, the USM manufacturer of quality printing inks, continues to make progress with a 32 per cent increase from £410,910 to £544,058 in pre-tax profits for the year ending March 31 last. Turnover was up 30 per cent to £4.43m compared with £3.42m last year.

Mr Michael Scott Gibbon, chairman, said that the results included a full year's contribution from Shinecoat and Eden Colours which, unprofitable when acquired, were now producing good returns. The latest acquisition, that of Dufay Reprographics in June, brought the group a further four sales outlets, together with substantial manufacturing facilities.

The total number of selling outlets in the UK was now nine and Mr Gibbon said the necessary volume to support increased sales had been achieved without substantial capital investment. However, some additional plant might be required during the current year if sales continued at their present level.

Sales in the first four months of the current year are ahead of the corresponding period of the previous year but prices of raw materials, particularly coloured pigments, had been rising substantially. Mr Gibbon said that some of the increases will have to be passed on. He was confident, however, that with recent acquisitions the long term prospects looked extremely good.

Operating profit last year rose from £353,257 to £491,134; income from related companies was up from £124,899 to £151,527 while interest payable increased from £67,236 to £98,603. Tax charged was £186,192 (£195,135) and minority interests amounted to £5,068 (£126). Earnings per share worked through at 8.9p (5.4p).

The dividend is raised from 3.25p to 4p with a proposed final payment of 2.88p (2.32p).

UK COMPANY NEWS

David Smith makes £24m boosted by acquisitions

BOOSTED BY its acquisitions, particularly St Regis, David S. Smith (Holdings), packaging and paper group, reported an almost fourfold increase in pre-tax profits for the year to the end of April 1987. The shares rose 31p to 473p.

On turnover up by more than five times from £38.45m to £201.22m taxable profits rose to £24.23m against £6.21m. Earnings per 20p share were stated as 24p (12.5p) and the directors are recommending a final payments of 3.5p (2.8p) for a total of 5.25p (4.2p).

And Mr Richard Brewster, chief executive, repeated the company's intention to expand into media communications through what it called strategic acquisitions.

He aded that the integration of St Regis had had a profound effect on the size and status of the group. Substantial benefits had accrued both in the market-place and financially. The positive cash flow and St Regis high asset base had resulted in a strong balance sheet from which to expand.

The figures included 11 months from St Regis and two months of Packaging Holdings. Existing activities showed operating profits up from £5.7m to £7.1m. Group operating profits rose from £5.69m to £23.87m.

Substanial savings in both energy and raw materials helped paper manufacture during the period, said Mr Brewster, but energy costs had since risen and raw materials were showing signs of following. The market for corrugated packaging increased by 3 per cent overall but the group businesses enjoyed greater volume growth and improved production efficiency.

Mr Brewster added that the investment in David S. Smith Ltd had begun to yield benefits and with its diversification into non-tobacco markets higher results had resulted. Western Board had also had a good year.

The pre-tax figure was struck after interest charges of £1.82m (£58,000) and included investment income of £2.18m (£577,000). After tax of £7.37m (£2.34m) and minorities this time of £696,000 attributable profits came out at £15.66m (£3.87m).

● comment

Anyone who bought shares in David S. Smith for 47p in July 1983 must be feeling smug now: in the four years since, chief executive Richard Brewster has wrought an astonishing transformation of the company into one of Britain's leading paper and packaging groups, and seen the share price multiply tenfold along the way. Hitherto, one of the keys to Smith's success has been not just to acquire complementary businesses and extract maximum value for money from their assets, but in doing so to bring into the fold some top flight managers who came with them. Now it is trying things the other way around: it has taken on a man with a strong track record in media-related businesses and is set to build up a new division around him. That may take time, so with capacity limitations restraining organic growth for the moment, it is mainly the St Regis acquisition which will be leading the profits advance in the current year. A likely 20 per cent increase in earnings puts the shares on a prospective multiple of 17, only slightly above the sector average even after yesterday's sharp rise in the price. That looks undemanding for a company growing at such a pace.

Hawker in £17.5m US electronics purchase

By David Waller

Hawker Siddeley, the electrical and mechanical engineering group, is to pay $28.5m (£17.5m) in cash for Aerospace Avionics, a New York State-based supplier of specialist electronics sub-systems.

This is Hawker's 14th US acquisition since Mr Bob Bensly was appointed managing director in March 1984, and brings the total spent in the US to $345m since September 1985.

Aerospace Avionics supplies power supply controls and signal handling devices for mainly military aircraft. According to Hawker, which has concentrated its diversification on electronic controls and instruments, the private company is "one of America's leaders in its field."

Turnover last year was $39m, but profits were not disclosed. Hawker said, however, that the company had enjoyed a record of more than 20 per cent growth both in sales and profits over the past four years.

Hawker's shares rose strongly yesterday—closing 40p ahead at 620p—although brokers' analysts attributed this less to the deal than a general resurgence in sentiment for market leaders.

Willaire Systems acquisitions

By Philip Coggan

Willaire Systems, the USM-quoted refrigeration and air conditioning group, yesterday announced two acquisitions as part of its expansion plans.

The group is buying Astec Environmental Systems for £600,000, with further payments dependent on future profits. Astec, which manufactures a range of filtered systems for laboratory and industrial production, will strengthen the group's environmental division and will market the products of Astec's subsidiary, Hestair.

The other acquisition is of a 75 per cent stake in Heatsense Cables, which manufactures a specialist range of insulated conductors, from Britannia Security and is the first of the group's moves into electronics.

Consideration of £400,000 is in the form of 2m Willaire shares and Britannia's stake in Willaire will increase to 12.3 per cent as a result. Mr Anthony Record, chairman of Britannia, is also a director of Willaire.

Abaco purchase

Abaco Investments is buying Lear & Lear, residential estate agent of Gloucester, for £75,000 cash and a further £75,000 in shares.

COMPANY NEWS IN BRIEF

RIGHTS and Issues Investment Trust: Net asset value per capital share rose from 186.2p to 296.4p over the year to June 30 1987. The figure for the income shares improved by 24.1p to 89.3p. Interim dividend 1.2p (1.1p). The board intends to pay a final of 3.3p (3.15p).

MERCURY INTERNATIONAL Group's rights issue received acceptances in respect of 33.495m new ordinary shares (95.16 per cent of those offered). Those shares not taken up have been sold in the market at a premium.

UPDOWN Investment (investment trust): raised net asset value at June 30, 1987 to 436p compared with 316.5p on June 30 last year. Earnings per share were 3.09p (3.35p).

MURRAY SMALLER Markets Trust increased net asset value per ordinary and "B" ordinary share to 234.6p (169.5p) in year ended May 31, 1987. Net revenue £1.07m (£0.81m). Earnings 1.9p (1.43p) or assuming full conversion of "B" shares 1.88p (1.42p). Final dividend 1.2p for 1.65p (1.35p) total and interim of 0.55p (0.45p) recommended for current year.

ARMOUR TRUST is acquiring Stag Automotive Holdings for £275,000 to further expand its auto accessory division, Polco. Consideration is subject to adjustment depending on net tangible assets of Stag and is payable as to £135,000 in cash and 200,716 ordinary Armour shares. Stag's net tangible assets are warranted to be not less than £76,127 at completion, expected to be on July 31.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Barclays, Berkeley Govett, Commercial Bank of Near East, Energy Capital, Hill and Smith, Imperial Chemical Industries, John I. Jacobs, Lex Service, Saga Holidays.

Finals—Sidney C. Banks, Peter Black, Cray Electronics, Neepsend, Stewart and Wight, YRM.

FUTURE DATES

Interims—

BTCC	Sept 9
EIS	Sept 14
Hillsdown	Sept 2
STC	Aug 3
Securicor	Aug 4
Security Services	Aug 4
TI	Aug 6
Waco	Aug 3

Finals—

DSC	Aug 3
Dale	July 31
Property Security Invest. Trust	Aug 5
Tip Top Drugstores	Aug 4

Blanchards purchase

Blanchards, the interior design group based in Knightsbridge, is to make its third acquisition in six months and raise £750,000 for working capital. The company's equity will expand by a fifth as a result.

Blanchards is buying Mirabelle Designs, a private interior design company which specialises in refurbishing hotels. The initial consideration is £1.2m, payable in shares and cash from the proceeds of 700,00 new shares placed at 160p.

Further payments will be made depending on Mirabelle's profits over the next three years.

Equity & General

A Kuwaiti trading company has increased its stake in Equity & General to 8.4 per cent. The financial services and motor dealing group said it viewed the holding by Ibrahim Hussein Marafie & Contractors & Trading as friendly and supportive.

COMMODITIES AND AGRICULTURE

Milk Board improves performance

By Bridget Bloom

BRITAIN'S Milk Marketing Board achieved an improved financial performance while the country's dairy farmers have increased their income by 6 per cent in the past year, despite the difficult environment in which the industry was now operating, Sir Stephen Roberts, the outgoing board chairman, said yesterday.

Addressing the MMB annual general meeting in London, Sir Stephen said total income had increased by £68m over 1985/86 to reach £2.49bn. At the same time, the average milk producer received nearly £57,000 compared with £53,700 the previous year, an increase of more than 6 per cent.

Sir Stephen has now retired after 10 year's as chairman, and been replaced by Mr Bob Steven, Board member for the South-East.

He paid tribute yesterday to the way farmers had been able to produce very close to Britain's quota limits, first introduced in 1984. Over-production last year was only equivalent to three days supply, incurring a superlevy of £17m.

Sir Shephen said he believed the European Commission wanted to "perpetuate an atmosphere of uncertainty" as a "backdoor means of curbing production." A simpler approach to quotas for necessary.

Despite widespread criticism of quotas, however, Sir Stephen acknowledged that many people were now content with them. Although the total of dairy farmers continues to decline — by 1,000 last year to a current total of 36,000 — figures produced by Sir Stephen suggest that efficiency is increasing along with farm incomes.

Figures from more than 2,000 herds over two years show that the average margin over feed and fertiliser per herd rose by 9 per cent in 1986-87 compared with the previous year.

The 6 per cent income rise to £57,000 has to be set against costs. According to the Farm Business Survey, published by the Ministry of Agriculture, net income for a medium-sized farmer (with about 100 cows) was around £11,000 in 1986.

Sir Stephen noted that Diary Crest Foods, with profits of £19.7m after reorganisation, had also had a successful year. Dairy Crest, the MMB's retail marketing arm, will become a wholly owned subsidiary on August 3.

Brussels wants tighter grip on EC purse-strings

BY TIM DICKSON IN BRUSSELS

MR FRANS ANDRIESSEN, the EC's Farm Commissioner, yesterday formally trumpeted the birth of "budget stabilisers"—the new buzz phrase for policies designed to control spending under the Common Agricultural Policy.

At a press conference in Brussels he unveiled a whole series of ideas for different agricultural sectors, the common thread of which would be to give the Commission powers to take quick remedial action through price cuts or other mechanisms if spending appeared to be getting out of control.

If the vagueness of some of the suggestions gave the impression that the Commission's new baby is for the moment relatively weak, diplomats and Community officials agreed that when fleshed out through formal proposals after the summer it could assume significant proportions in the continuing battle to limit spending on the CAP.

Some of the confusion surrounding recent discussion of these issues arises from differing definitions of what is meant by stabilisers. In this regard the Commission points to mechanisms such as milk quotas and production thresholds in various regimes which have been introduced since 1984—but it admits that in some cases "their effect has only been partial and has not sufficiently guaranteed the stabilisation of costs." The aim now is to make them work quickly and effectively.

The latest initiative—in the form of a memorandum agreed by a full meeting of Commissioners yesterday—comes in the context of the Community's efforts to maintain better budget discipline and the plans to increase the EC's own resources through a switch from the current VAT based system to one which is more related to member states' GNPs. Mrs Thatcher has made clear that Britain's support for these proposals, which the Commission hopes to see agreed at the Copenhagen Summit in December, is contingent on the establishment of better budgetary control.

Mr Andriessen made clear yesterday that "Budget stabilisers" mean different things for different regimes but that the broad aim was to make sure spending in each sector is kept within budgetary targets.

The most controversial ideas are probably those for the cereals sector where forecasts suggest that surplus stocks could, on current assumptions, exceed 100m tonnes by the early 1990s. The Commission plan is to fix a maximum quantity of 155m tonnes which, if exceeded, "would trigger certain corrective measures relating to the co-responsibility tax or prices and leading to the intervention mechanisms."

On wine the Commission is proposing that the reduction in the distillation price should be "more marked" and that certain aids and payments already in place to even out market fluctuations "should be abandoned because of their cost and ineffectiveness."

Of particular significance and concern to Britain is the promise of proposals to throw out the variable premium payments for beef and sheepmeat at the earliest opportunity. New restrictions on beef intervention—similar to those recently introduced for the butter regime—will be proposed.

For oilseeds the Commission is sticking to its ideas which were thrown out by the Council last month to make penalties for overproduction bite harder. Significantly, yesterday's paper keeps alive the controversial oils and fats tax proposal stating that "the conclusions of a forthcoming study and consultations with EC trading partners" will be announced in October.

Yesterday's commission paper disclosed that surplus Community food stocks at the end of last year had a book value of just over Ecu 9bn, but that the "real" value could only be put at just over Ecu 2.25bn. On a brighter note, however, Mr Andriessen maintained that the "savings" resulted from the CAP reform measures since 1984 amounted to Ecu 6bn this year and an estimated Ecu 8.5bn in 1988.

Second tin case struck out

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

ANOTHER CREDITOR of the insolvent International Tin Council has suffered defeat in the courts.

A High Court judge yesterday struck out the action in which Maclaine Watson, a tin trader and £6m creditor of the ITC, claimed that the UK, as one of the member states of the ITC, was legally liable for the debt.

Mr Justice Millett said that Maclaine Watson and other ITC creditors had given credit to the council, not to its member states, and had looked to it alone for payment.

"In the eyes of many the conduct of member states is unacceptable; but if they are to be criticised it is not for their failure to pay creditors directly, but for their failure to put the ITC in funds to discharge the obligations they allowed it to incur," the judge said.

He gave Maclaine Watson leave to appeal.

The judge said that there was no discernible distinction between Maclaine Watson's case and those of other creditors whose bid to make the member states liable for their debts was rejected by the court last month.

In that hearing Mr Justice Staughton held that the ITC was a separate legal entity distinct from its members and had contracted to buy and sell tin on its own behalf and not as its members' agent.

Maclaine Watson's main argument was that the ITC was not a separate legal entity but simply the name under which the member states traded; that contracts entered into in the name of the ITC were contracts for which the member states were jointly and severally liable.

Mr Justice Millett said that the 1972 International Tin Council (Immunities and Privileges) Order specifically granted the ITC the legal capacities of a body which was separate and distinct from its members. It could incur liabilities on its own account which were not liabilities of its members.

Sowing seeds of discontent

BY BRIDGET BLOOM

IN THE next few weeks, a new piece will be slotted into the British Government's privatisation jigsaw. There will be no razzmatazz, no jazzy stock market launch. But when one of the three British companies recently shortlisted buys the Plant Breeding Institute and its associated National Seed Development Organisation, one of the most notable research institutions in Britain will have left the public sector.

Privatisation of the PBI and the NSDO has been controversial, if little noticed. First mooted some three years ago, the exercise has resulted in the resignation of the PBI's director, Professor Peter Day, one of Britain's top geneticists and six of his senior colleagues.

Morale among the 330-strong staff of the two organisations crumbled badly last year as the privatisation exercise got off to a slow and uncertain start, though Professor Day says it has picked up again in the last few weeks. By mid-June, according to Lazard Brothers', which is handling the sale, around 45 companies had shown an interest; by July 20 the three shortlisted companies —Booker, ICI and Unilever— had submitted their final offer. A decision is promised in August.

The PBI forms part of the Agricultural and Food Research Council and is funded by the Department of Education and Science and the Ministry of Agriculture to conduct pure and applied agricultural research as well as plant breeding. It has played a major role in the development of new varities of wheat, but has also done valuable work on potatoes, brassicas and legumes as well as fundamental research in genetics.

The NSDO is the Institute's marketing arm. Based, like the PBI, near Cambridge, it derives 80 per cent of its income from producing and marketing seed varieties bred at the PBI. The NSDO's turnover in 1985-86 was £10m and profit before tax exceeded £4m. Payments to the Government, in royalties and dividends, amounted to just over £6m in the same year. PBI's income amounts to some £4.5m, about £600,000 of this in recent years coming from commercially sponsored programmes and the rest in grants-in-aid.

The two institutions are being offered as a package, although the PBI's fundamental research —notably in the critical area of biotechnology—plant genetics— is not for sale. This will be transferred to the AFRC's new Institute of Plant Science Research, which is to open in new buildings in Norwich in 1990. Until then the 70 or so scientists involved in this research will stay at the Cambridge site, "ring-fenced"— according to Lazards—from the new owners of the PBI/NSDO.

At this stage, none of the participants in the PBI's privatisation is keen to comment on motives, facts or figures.

The Government's prime aim in seeking a private sector owner appears to be financial— sums of between £30m-£70m are mentioned for the two institutions, including the PBI's 400-acre site on the boundaries of the city of Cambridge. Also, however, there is the more ideological view that the government funds invested in the PBI/NSDO, which is of prime benefit to the agricultural industry, could be better allocated elsewhere, particularly at a time when the Government's research programme as a whole is under scrutiny and when its agricultural research budget, in particular, has been declining.

The three companies' motives in wanting to buy, while different, appear more straightforward.

For ICI, capitalised at £10bn and probably the contender with the most muscle, the acquisition would add to its expanding agribusiness a dimension which is at present felt to be lacking.

According to the company its own research scientists are already engaged in fundamental plant science of the sort that will now be transferred from the PBI to the new Norwich institute. At the other end of the scale the company has recently bought a number of commercial seed producers, including Garst of the US, the British producer Sinclair McGill and most recently, SES of Belgium. ICI feels that PBI/NSDO's seed breeding and developing operations would fit neatly in between.

At Unilever, the acquisition would be seen to complement its existing agribusiness, a growth area, which includes seed breeding but not in the creal sector, where PBI is especially strong.

Booker, on the other hand, is strong in seed breeding in the UK, especially in pulses. It is particularly interested in acquiring PBI/NSDO's cereal expertise. If the company buys the organisation, plant breeding would then account for some 10 per cent of the group's activities.

All three companies say they would find wider markets including international sales, for the PBI/NSDO's products.

What of the arguments against privatisation? Some farmers' organisations and agricultural merchants (seed suppliers to the farmers), have made no secret of their fears about PBI's loss of independence while concern about problems which could arise from a possible conflict of interest were ICI, in particular, to buy the two organisations is frequently voiced.

Put crudely, the fear—which staff at the PBI/NSDO do not appear to share—is that with its huge sales of pesticides ICI might be less than keen to continue to develop disease resistant varieties of plants which now need pesticides for their healthy development. This ICI counters by maintaining that such action would be inconceivable, both from a commercial and a scientific point of view, for a company so much in the forefront of technology in this and may other areas.

Professor Day, who is shortly to become the director of a new biotechnology unit at the University of New Jersey, agreed a cautious statement with the Government when his resignation was announced. This made it clear that he was strongly opposed to privatisation, but today he does not want to be drawn on his reasons, merely saying that he believes the "trauma" of the last year or two is fading as the remaining staff prepare in a positive way for their new owners, reassured by all the prospective buyers that work now in progress will continue.

But Professor Day and his departing colleagues were obviously worried at the loss of independence and academic freedom which they have enjoyed within the PBI. Perhaps more importantly, many also believe that much of the success of the PBI/NSDO operation came from the very close relationship established between the work of the pure and the applied scientists. This may be lost with the departure of the pure scientists to Norwich.

On a broader front, however, few of the staff of either organisation seem to believe that privatisation was necessary. Many argued that it could have been avoided if, against the background of the declining agricultural research budget, the profitable NSDO had been made responsible for directly funding the PBI.

This argument was apparently part of the case for a management/employee buy-out proposal, which failed to make the Government's shortlist.

MPs concerned at rising farm storage bill

BY BRIDGET BLOOM

CONCERN AT the rise in the overall costs of storing Britain's farm surpluses has been voiced by the Public Accounts Committee, the all-party watchdog body of the House of Commons.

In a report* published yesterday, the committee noted that the net cost to the British taxpayer of storing the surpluses in 1986 was £118m compared with £33m in 1985. This was partly because of reduced EC contributions, but the MPs urged the Intervention Board for Agricultural Produce, which is responsible for administering farm support measures in the UK, to cut storage costs further wherever possible.

They noted that, partly thanks to competitive tendering, some unit costs had been lowered in 1986. At prices current then the cost of storing a tonne of cereals had been reduced from £43 in 1983-84 to £15 in 1985-86, the costs of storing butter over the same period had come down from £92 to £83 and beef from £659 to £234 a tonne but, the PAC said, more could still be done.

The committee also criticised the "inadequacy" of the Board's accounting and control systems, declaring that it regarded as "quite unacceptable" the delays in submitting reliable accounts to Parliament and the EC.

The introduction of essential computerised systems had been delayed which had led to "substantial unresolved discrepancies" of £2.6m in 1983 and £4.3m in 1984. Accounting problems had not been helped by the Board's difficulties in recruiting and training staff. In recent years annual turnover had been about 35 per cent with shortfalls against complement of 15-20 per cent, the committee said. The total cost of Britain's support programme in 1986 was £1.73bn, according to the Board's figures.

*Intervention Commodity Stockholding in the UK. 19th report from the Committee of Public Accounts. HMSO, £3.60.

LONDON MARKETS

OVERNIGHT strength in the New York market gave copper's bull trend on the London Metal Exchange fresh impetus yesterday and values climbed quickly as dealers who had sold short on Tuesday night, in anticipation of a downward "correction" following recent gains, were forced to cover their positions. The three months position climbed to £1,080 a tonne at one stage, before being trimmed back by profit-taking to close at £1,071.25 a tonne. The cash quotation followed up Tuesday's £12.50 rise with an £18.50 advance to £1,094 a tonne, the highest closing level since July 1985. LME lead also put in a strong performance to recover Tuesday's sizeable fall. With copper's strength providing added momentum cash lead closed £13 higher at £403.50 a tonne. On the London bullion market platinum remained strong with the afternoon price fixed at £603.50 a troy ounce, up $5 on the day and $28.50 on the week so far.

LME prices suppplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) £ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1658-63	+18	—

Official closing (am): Cash — (—), three months 1658-63 (1642-7), settlement — (—). Final Kerb close: 1658-63. Ring turnover: — tonnes.

COPPER

LEAD

NICKEL

ZINC

TIN

GOLD

MEAT

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

SILVER

Cash high/low 804c; three months high 815c, down 812c, final kerb 810-3c.

Silver was fixed 17.8p an ounce higher for spot delivery in the London bullion market yesterday at 501.55p. US cents equivalents of the fixing levels were: spot 802.6c, up 29.1c; three-month 816.2c, up 29.25c; six-month 831c, up 30c; and 12-month 860.5c, up 30.8c. The metal opened at 499½-500½p (800-802c) and closed at 504½-505½p (808-810c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	501.55p	+17.8	813c	+25
3 months	512.50p	+17.8	826c	+21
6 months	524.80p	+18.1	—	—
12 months	548.55p	+18.4	—	—

LME—Turnover: 3 (1) lots of 10,000 oz.

COFFEE

After opening £5 lower as due, robustas traded in quiet and thin conditions during the morning, reports Drexel Burnham Lambert. With the New York market week, London was pushed lower by trade selling and long liquidation. The market found support at the close just above recent contract lows.

COFFEE	Yesterday close	+ or —	Business done
July	1192-1195	—16.5	1209-1190
Sept	1213-1214	—19.0	1231-1215
Nov.	1238-1239	—19.0	1254-1252
Jan	1264-1265	—14.5	1279-1257
Mar.	1285-1289	—16.5	1300-1290
May	1305-1314	—18.0	1324-1325
July	1330-1340	—18.0	—

Sales: 2,419 (2,343) lots of 5 tonnes. ICO indicator prices (US cents per pound) for July 28: Comp. daily 1979 95.35 (96.08); 15-day average 95.43 (96.36).

COCOA

The market dipped initially with talk of better crop prospects in West Africa after recent rains. Prices bounced on technical short-covering and closed near the highs.

FREIGHT FUTURES

GRAINS

US MARKETS

CRUDE OIL prices were steady in a market awaiting news from the Middle East, reports Drexel Burnham Lambert. Speculative, fund and commission house buying rallied the silver market before trade selling and local profit-taking pared the early gains. The gold market was absolutely listless. Local and commission house buying early rallied platinum prices before local profit-taking steadied the market. After opening higher, copper was steady in early trading before easing in the afternoon on commision house selling. Sugar consolidated after Tuesday's big fall as locals pushed the market, looking for a small technical rally. Locals and commission houses took short positions in the cocoa market, but after the sell-off attempt failed. The market firmed on local short-covering and light trade buying. Cotton made new contract highs on the opening but fell back thereafter in featureless trading before locals rallied the market. Local selling triggered commission house stops early in the session before local profit-taking steadied market preceding further selling near the close. In the grains an unexpected change in the forecast indicating cooler temperatures and rains for next week, eased soyabeans, pulling maize and wheat with it. Cattle rallied under the influence of much heavier than anticipated live animal purchases together with a seady dressed beef market. Hogs and pork bellies were higher as the discount between the cash and futures markets narrowed.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	77.00	76.50	77.00	77.00
August	76.25	75.25	—	—
Sept	75.00	74.00	—	—
Dec	74.10	73.00	—	—
Jan	72.15	71.65	—	—
March	70.85	70.15	—	—

CHICAGO

SOYABEAN MEAL

POTATOES

SUGAR

OIL

GAS OIL FUTURES

RUBBER

FOREIGN EXCHANGES

Dollar stays becalmed

THE DOLLAR remained in the doldrums yesterday, as dealers could find little incentive to buy or sell the currency.

There was no obvious effect on the dollar from expectations that Congress was about to temporarily raise the US debt ceiling, allowing a backlog of bill auctions to take place. An announcement about the Treasury quarterly refunding programme, scheduled for next week, was postponed until the debt limit is increased.

Recent US economic news has been reasonably encouraging, including last week's figure for second-quarter GNP growth, but has failed to push the dollar into a higher trading range. A bearish undertone has followed a switch in attention to shrinking interest rate differentials between the US and Japan.

Against this background today's figures on June leading indicators are not expected to have any great impact. June is forecast to produce a rise of 0.4 to 0.5 per cent, compared with 0.7 per cent in May.

On the other hand rising tension in the Middle East, and the possible threat to Japanese oil supplies, provided some support for the dollar against the yen.

Adding to the market's nervousness about the Middle East was news that a French aircraft carrier task force is sailing for the Gulf.

The dollar finished around the top of yesterday's narrow range, rising to DM1.8580 from DM1.8570; SFr1.5390 from SFr1.5375; and Y150.70 from Y150.40, but fell to FFr6.1775 from FFr6.18.

On Bank of England figures the dollar's index fell to 103.8 from 103.9.

STERLING — Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6289. Exchange rate index rose 0.1 to 72.7, compared with 68.8 six months ago.

Sterling settled into a quiet trading pattern, with no immediate prospect of further economic news to upset the currency. Reports of a fairly large selling order in early trading caused no obvious problems.

Tuesday's encouraging industrial trends survey from the Confederation of British Industry helped calm fears of rising inflation and overheating of the economy caused by the latest figures on UK bank lending; retail sales; and overseas trade.

The pound gained 15 points to $1.6000-1.6010, and also rose to DM2.9725 from DM2.97; FFr9.8875 from FFr9.8825; SFr2.4625 from SFr2.4575; and Y241.25 from Y240.50.

D-MARK — Trading range against the dollar in 1987 is 1.9305 to 1.7690. June average 1.8186. Exchange rate index 146.4 against 149.6 six months ago.

The D-Mark rose slightly against the dollar in Frankfurt. The US unit closed at DM1.8580, compared with DM1.8595 previously. The Bundesbank did not intervene when the dollar was fixed at DM1.8552, compared with DM1.8575 on Tuesday.

Trading was in a very narrow range of DM1.8515 to DM1.8580, lacking any news to move the currency. Tension in the Gulf was not enough to provide much support, in a market lacking other factors.

An easing of Euromark interest rates had little impact. Rates fell as domestic call money eased after the Bundesbank added money market liquidity on Tuesday through currency swaps.

JAPANESE YEN — Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 213.7 against 209.7 six months ago.

The yen was little changed against the dollar in quiet Tokyo trading. The US currency was locked in a narrow range of Y149.90 to Y150.35, and closed at Y150.15, compared with Y150.95 on Tuesday.

Japanese institutional investors showed little interest in the dollar, but the currency was supported by continued tension in the Middle East and the threat to the Japanese economy from any disruption in oil supplies.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0428	+1.38	+0.78	±1.5344
Danish Krone	7.85212	7.87990	+0.35	−0.25	±1.6404
German D-Mark	2.05853	2.07636	+0.87	+0.27	±1.0981
French Franc	6.90403	6.90574	+0.02	−0.58	±1.3674
Dutch Guilder	2.31943	2.33987	+0.88	+0.28	±1.5012
Irish Punt	0.768411	0.774858	+0.84	+0.24	±1.6684
Italian Lira	1483.58	1502.89	+1.30	+1.23	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 29	Close	Previous Close
£ Spot	1.6000-1.6010	1.6030-1.6040
1 month	0.34-0.32 pm	0.28-0.27 pm
3 months	0.90-0.86 pm	0.91-0.89 pm
12 months	2.85-2.75 pm	3.35-3.28 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 29	Previous
8.30 am	72.6	72.5
9.00 am	72.5	72.5
10.00 am	72.5	72.5
11.00 am	72.5	72.5
Noon	72.6	72.6
1.00 pm	72.6	72.6
2.00 pm	72.6	72.5
3.00 pm	72.6	72.5
4.00 pm	72.7	72.6

CURRENCY RATES

July 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.791383	0.698800
U.S. Dollar	5.5	1.26645	1.11843
Canadian $	7.90	*	1.48975
Austrian Sch.	4	16.5170	14.6011
Belgian Franc	7¾	48.7077	43.0428
Danish Krone	7	8.91264	7.87990
Deutsche Mark	3.0	2.34952	2.07636
Neth. Guilder	4½	2.64878	2.33987
French Franc	9½	7.81716	6.90574
Italian Lira	11.5	N/A	1502.89
Japanese Yen	2½	190.284	168.268
Norway Krone	8	8.59920	7.59246
Spanish Peseta	—	160.459	141.813
Swedish Krona	7½	8.18697	7.23736
Swiss Franc	3.5	1.94590	1.71992
Greek Drach.	20½	177.328	156.681
Irish Punt	—	N/A	0.774858

*C$/SDR rate for July 28: 1.68696

CURRENCY MOVEMENTS

July 29	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.7	−20.9
U.S. Dollar	103.8	−3.5
Canadian Dollar	78.3	−10.4
Austrian Schilling	137.2	+10.1
Belgian Franc	99.6	−4.7
Danish Krona	91.9	+2.3
Deutsche Mark	146.4	+21.3
Swiss Franc	172.2	+22.5
Guilder	134.4	+14.0
French Franc	71.5	−12.8
Lira	47.0	−18.7
Yen	213.7	+59.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 29	£	$
Argentina	3.0955-3.1085	1.9345-1.9415
Australia	2.2885-2.2915	1.4300-1.4310
Brazil	73.0090-73.4045	45.6220-45.8490
Finland	7.1960-7.2070	4.4990-4.5010
Greece	222.05-225.95	138.90-141.20
Hong Kong	12.4885-12.5015	7.8080-7.8090
Iran	116.60*	72.10*
Korea (Sth)	1289.80-1301.45	804.70-811.30
Kuwait	0.45430-0.45490	0.28390-0.28400
Luxembourg	61.55-61.65	38.45-38.55
Malaysia	4.0690-4.0755	2.5440-2.5455
Mexico	2245.20-2268.60	1403.00-1417.00
N. Zealand	2.7550-2.7600	1.7220-1.7245
Saudi Ar.	6.0260-6.0800	3.7505-3.7515
Singapore	3.3765-3.3815	2.1110-2.1120
S. Af. (Cm)	3.2990-3.3140	2.0675-2.0720
S. Af. (Fn)	5.1215-5.2915	3.2000-3.3060
Taiwan	49.55-49.80	31.00-31.10
U.A.E.	5.8775-5.8830	3.6725-3.6735

*Selling rate

POUND SPOT—FORWARD AGAINST THE POUND

July 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5960-1.6045	1.6000-1.6010	0.27-0.24c pm	1.91	0.90-0.85 pm	2.19
Canada	2.1320-2.1368	2.1330-2.1340	0.07pm-0.15cpm	0.65	0.02-0.15 pm	0.16
Netherlands	3.33¾-3.35½	3.34½-3.35½	1⅛-⅞c pm	3.58	3⅛-3 pm	3.81
Belgium	61.47-61.70	61.55-61.65	12-11c pm	2.24	41-39 pm	2.60
Denmark	11.25½-11.29¾	11.26¾-11.27¾	¼ pm-1½ ore dis	−1.20	2⅛-3⅞ dis	−1.02
Ireland	1.1085-1.1110	1.1090-1.1100	par-0.08p dis	−0.43	Par-0.22 dis	−0.40
W. Germany	2.96½-2.97¼	2.96¼-2.97¼	1¼-1 pf pm	4.54	3⅞-3⅝ pm	5.05
Portugal	231.52-232.76	231.75-232.75	79-131c dis	−5.43	286-373 dis	−5.67
Spain	202.88-203.60	203.30-203.60	115-149c dis	−7.79	327-377 dis	−6.92
Italy	2146-2158¼	2154½-2155½	1-5 lire dis	−1.67	3-10 dis	−1.21
Norway	10.85¼-10.89	10.86-10.87	4-4⅝ ore dis	−4.90	12⅞-13½ dis	−6.79
France	9.86¾-9.89½	9.88¼-9.89¼	1-½c pm	0.91	2⅞-2 pm	0.99
Sweden	10.34¼-10.38	10.34½-10.35½	⅞ pm-⅛ ore dis	−0.07	⅛ pm-¼ dis	0.05
Japan	240¼-241¾	240¾-241¾	1⅛-⅞ y pm	4.97	3¼-3 pm	5.18
Austria	20.85-20.92	20.89-20.92	8⅞-7⅛ gro pm	4.74	27-24⅝ pm	4.94
Switzerland	2.45¾-2.46¾	2.45¾-2.46¾	1⅛-⅞c pm	4.87	3⅜-3⅛ pm	5.28

Belgian rate is for convertible francs. Financial franc 61.80-61.90. Six-month forward dollar 1.75-1.70 c pm. 12-month 3.20-3.10 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5960-1.6045	1.6000-1.6010	0.27-0.24c pm	1.91	0.90-0.85 pm	2.19
Ireland†	1.4418-1.4452	1.4420-1.4430	0.27-0.22c pm	2.09	0.96-0.85 pm	2.48
Canada	1.3314-1.3342	1.3320-1.3330	0.24-0.27c dis	−2.29	0.69-0.72 dis	−2.11
Netherlands	2.0875-2.0975	2.0920-2.0930	0.27-0.24c pm	1.46	0.87-0.83 pm	1.63
Belgium	38.40-38.55	38.45-38.55	3pm-par	0.47	7-2 pm	0.47
Denmark	7.02¾-7.05	7.04-7.04½	1.10-1.80ore dis	−2.47	4.40-5.10 dis	−2.70
W. Germany	1.8515-1.8585	1.8575-1.8585	0.43-0.40pf pm	2.68	1.36-1.31pm	2.88
Portugal	145-145½	145¼-145¾	40-80c dis	−4.97	250-300 dis	−7.59
Spain	126.67-127.18	126.85-126.95	65-115c dis	−9.46	270-310 dis	−9.14
Italy	1340-1347	1346¼-1346¾	3.00-5.00lire dis	−3.58	10.00-13.00dis	−3.43
Norway	6.77-6.80	6.78½-6.79	3.80-4.30ore dis	−7.15	11.70-12.20dis	−7.04
France	6.16¾-6.18	6.17½-6.18	0.52-0.62c dis	−1.01	1.70-2.00 dis	−1.09
Sweden	6.45½-6.48	6.46½-6.47	0.90-1.20ore dis	−1.95	3.35-3.75 dis	−2.19
Japan	150.05-150.75	150.65-150.75	0.41-0.38y pm	3.15	1.15-1.10 pm	2.99
Austria	13.02¾-13.06	13.05½-13.06	3.20-2.80gro pm	2.76	9.50-8.50 pm	2.76
Switzerland	1.5330-1.5400	1.5385-1.5395	0.41-0.36c pm	3.01	1.21-1.16 pm	3.08

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.60-38.70

EURO-CURRENCY INTEREST RATES

July 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8½-8¼	8 11/16-8 9/16	8 13/16-8 11/16	9 3/16-9 1/16	9⅜-9¼	9 13/16-9 11/16
U.S. Dollar	6 7/16-6 5/16	6⅜-6¼	6 13/16-6 11/16	6 15/16-7 1/16	7⅛-7¼	7 9/16-7 11/16
Can. Dollar	8¼-8½	8¼-8½	8⅝-8⅞	8⅞-9	9 3/16-9 5/16	9⅜-9⅝
D. Guilder	5⅜-5¼	5⅜-5¼	5⅜-5¼	5¼-5⅜	5 5/16-5 7/16	5⅜-5½
Sw. Franc	17¼-17½	8⅛-8¼	3¼-3⅜	3¾-3⅞	3⅞-4	3⅞-4
Deutschmark	4 11/16-4 13/16	4-4⅛	3⅞-4	3⅞-4	3 15/16-4 1/16	4 1/16-4 3/16
Fr. Franc	7 9/16-7 11/16	7 9/16-7 11/16	7⅝-7¾	8-8⅛	8 1/16-8 3/16	9-9⅛
Italian Lira	9½-11½	9¼-11¼	10¼-10¾	10⅝-11	10¾-11⅛	11⅛-11⅝
B. Fr. (Fin.)	6⅛-6¼	6⅛-6⅜	6¼-6½	6½-6¾	6⅝-7	7-7¼
B. Fr. (Con.)	6-6½	6⅛-6⅜	6¼-6⅜	6½-6⅝	6⅝-7	6⅞-7¼
Yen	3 5/16-3¼	3 11/16-3 13/16	3 13/16-3⅞	4-4 3/16	4 1/16-4 3/16	4 1/16-4 3/16
D. Krone	9½-9⅞	9⅝-10	9⅝-10	10-10⅜	10⅛-10⅝	10⅝-11
Asian $Sing.	2-2½	N/A	4-4⅛	[illegible]	4½-4⅝	4⅞-5

Long-term Eurodollars: Two years 8⅛-8⅜ per cent; three years 8⅝-8⅞ per cent; four years 8¾-9 per cent; five years 8 13/16-9 1/16 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 29	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.601	2.973	241.3	5.888	2.463	3.350	2155.	2.134	61.60
$	0.625	1.	1.858	150.7	6.176	1.539	2.093	1347.	1.333	38.50
DM	0.336	0.536	1.	81.16	3.326	0.828	1.127	725.0	0.718	20.72
YEN	4.145	6.634	12.32	1000.	40.98	10.21	13.89	8933.	9.844	255.3
F Fr.	1.011	1.619	3.006	244.8	10.	2.491	1.360	2180.	2.156	62.30
S Fr.	0.406	0.650	1.207	97.97	4.015	1.	1.358	875.1	0.866	25.02
H Fl.	0.299	0.478	0.887	72.01	2.951	0.735	1.	643.3	0.637	18.39
Lira	0.464	0.745	1.379	111.9	4.588	1.143	1.555	1000.	0.990	28.58
C $	0.469	0.750	1.393	113.3	4.634	1.154	1.570	1010.	1.	28.87
B Fr.	1.623	2.598	4.825	391.6	16.05	3.998	5.436	3498.	3.463	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilt pause for breath

TRADING WAS dull and uneventful in the London International Financial Futures Exchange yesterday. Apart from the odd flurry, traders were at a loss to point out any clear direction or incentive. Sterling and the US dollar were both confined to a narrow range and showed little overall change while cash rates were also static. There was an absence of any fresh economic data and the traditional holiday season spirit seemed to have infiltrated the market comprehensively.

Long gilt prices were little changed, pausing for breath after the recent sharp fall. Tuesday's CBI survey was greeted with a little suspicion. Some dealers were anxious that the reasonably bullish outlook had also papered over some important cracks. However, the optimistic tone was sufficient to arrest an already slowing bear trend. Nevertheless traders suggested that any attempt at a rally was likely to provoke further selling.

The September contract opened at 120-00 and although this was unchanged from Tuesday's close, it was a little lower than had been expected. A large selling order for sterling before the contract opened probably contributed to the lower-than-expected opening.

A low of 119-30 was touched early on before a recovery took the price up to 120-06. Thereafter trading was confined to a narrow range

US Treasury bonds finished lower in quiet trading. There were no new influences but fears of higher inflation, oil prices and tension in the Middle East all provided a bearish background. Rumours of an oil tanker being attacked in the Gulf came too late to affect London prices and the rumour was subsequently denied by the US administration.

Elsewhere the US authorities announced a postponement of the details of the impending Treasury refunding package. Again this came after the close of trading in London but served to unsettle the market a little as an announcement had been expected following hopes of an approved rise in the US debt ceiling.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
114	6.05	6.39	0.01	0.43
116	4.10	5.06	0.06	1.10
118	2.25	3.50	0.21	1.54
120	1.08	2.47	1.01	2.51
122	0.23	1.53	2.19	3.57
124	0.06	1.10	4.02	5.14
126	0.02	0.46	5.62	6.50
128	0.00	0.28	7.60	8.32

Estimated volume total, Calls 1,093 Puts 913
Previous day's open int: Calls 28,430 Puts 18,799

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
82	7.25	6.52	0.01	0.28
84	5.29	5.13	0.05	0.53
86	3.43	3.52	0.19	1.28
88	2.04	2.42	0.44	2.18
90	0.51	1.49	1.27	3.25
92	0.15	1.07	2.55	4.47
94	0.03	0.42	4.43	6.18
96	0.00	0.24	6.40	8.00

Estimated volume total, Calls 45 Puts 4
Previous day's open int: Calls 1,947 Puts 2,298

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Aug.	Calls—Last Sept.	Puts—Last Aug.	Puts—Last Sept.
23250	10.32	12.03	1.32	3.03
23500	8.45	10.36	1.95	3.86
23750	6.77	8.83	2.77	4.83
24000	5.30	7.45	3.80	5.95
24250	4.05	6.22	5.05	7.22
24500	3.02	5.14	6.52	8.64
24750	2.19	4.20	8.19	10.20
25000	1.55	3.39	10.05	11.89

Estimated volume total, Calls 21 Puts 25
Previous day's open int: Calls 260 Puts 138

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.45	—	15.10	—	15.10	—	0.00	—	0.25
1.50	10.10	10.10	10.10	10.10	0.00	0.03	0.23	0.84
1.55	5.10	5.10	5.33	5.90	0.05	0.41	1.03	2.15
1.60	1.15	1.75	2.35	3.20	1.22	2.10	3.05	4.45
1.65	0.06	0.34	0.77	1.50	5.13	5.69	6.47	7.75
1.70	0.00	0.03	0.18	0.61	10.07	10.38	10.88	11.86
1.75	0.00	0.00	—	0.21	15.07	15.35	—	16.46

Estimated volume total, Calls 0 Puts 10
Previous day's open int, Calls 317 Puts 1,936

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.45	—	12.70	—	12.90	—	1.50	—	2.70
1.50	9.80	9.80	9.80	9.80	0.20	0.25	0.65	1.10
1.55	4.80	4.90	5.20	5.80	0.25	0.75	1.40	2.35
1.60	1.20	1.75	2.40	3.10	1.65	2.60	3.45	4.70
1.65	0.20	0.45	0.90	1.85	5.80	6.30	7.00	8.00
1.70	0.20	0.20	0.35	0.65	10.75	11.00	11.40	12.10
1.75	0.35	0.50	—	1.20	14.80	15.30	—	16.50

Previous day's open int: Calls 840 Puts 183
Volume: 2

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.600	0.85	1.55	2.10	2.85	0.95	1.85	2.90	4.05
1.625	0.25	0.70	1.30	1.95	2.80	3.45	4.45	5.55
1.650	0.05	0.25	0.65	1.30	5.00	5.50	6.30	7.44
1.675	—	0.20	0.30	0.90	7.40	7.80	8.40	9.25
1.700	—	0.05	0.15	0.55	10.80	10.10	10.60	11.35
1.725	—	—	0.10	0.35	12.30	12.50	10.60	13.55
1.750	—	—	—	0.15	14.80	15.10	—	15.75

Previous day's open int: Calls 78,985 Puts 61,113
Previous day's volume: Calls 7,474 Puts 1,596

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Sept.	Dec.	Mar.	June	Puts—Last Sept.	Dec.	Mar.	June
91.50	1.18	0.92	0.85	0.82	0.00	0.13	0.34	0.55
91.75	0.93	0.73	0.69	0.68	0.00	0.19	0.42	0.66
92.00	0.69	0.56	0.39	0.55	0.01	0.27	0.52	0.78
92.25	0.47	0.41	0.39	0.44	0.04	0.37	0.63	0.92
92.50	0.27	0.27	0.29	0.34	0.09	0.48	0.78	1.07
92.75	0.12	0.18	0.20	0.26	0.19	0.64	0.94	1.24
93.00	0.05	0.11	0.14	0.19	0.37	0.82	1.13	1.42

Previous day's open int: Calls 2,082 Puts 2,540
Estimated volume, Calls 0 Puts 50

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	120.02	120.07	119.30	120.00
Dec.	119.30	—	—	119.28

Estimated volume 12,411 (26,836)
Previous day's open int. 31,076 (31,666)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume [illegible]
Previous day's open int. [illegible]

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]
Jun.	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume [illegible]
Previous day's open int. [illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	—	—	[illegible]

Estimated volume [illegible]
Previous day's open int. [illegible]

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume [illegible]
Previous day's open int. [illegible]

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	—	—	[illegible]

Estimated volume [illegible]
Previous day's open int. [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sept.	89-15	89-25	89-10	89-15
Dec.	88-15	88-24	88-11	88-14
Mar.	87-16	87-25	87-15	87-16
June	86-20	86-29	86-20	86-20
Sept.	—	—	—	85-27
Dec.	85-04	85-12	85-04	85-04
Mar.	—	—	—	84-14
June	—	—	—	83-26

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sept.	0.6664	0.6680	0.6659	0.6677
Dec.	0.6711	0.6728	0.6711	0.6727
Mar.	—	—	—	0.6782
June	—	—	—	0.6844

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	—	—	[illegible]
June	—	—	—	[illegible]

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	[illegible]	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Mar.	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6005	[illegible]	[illegible]	[illegible]	[illegible]

IMM—STERLING Se per £

	Close	High	Low	Prev
Sept.	1.5955	1.5970	1.5950	1.5970
Dec.	1.5865	1.5880	1.5850	1.5870
Mar.	1.5810	1.5820	—	1.5810
June	1.5745	1.5755	1.5725	1.5745

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.5965	[illegible]	[illegible]	[illegible]
Dec.	1.5875	—	—	1.5836
Mar.	1.5795	—	—	1.5755

Estimated volume 5 (11)
Previous day's open int. 811 [illegible]

MONEY MARKETS

UK rates steady

UK INTEREST rates were virtually unchanged in London yesterday. Trading in the period rates was particularly uninspiring in the absence of any fresh stimulus.

Sterling was steady and gilt stocks showed little overall change. Traders seemed resigned to a period of consolidation and this was reflected in the rather static yield curve. Three-month interbank money was quoted at 9 3/16-9 1/16 per cent compared with 9⅛-9¼ per cent.

UK clearing bank base lending rate 9 per cent since May 8

Trading in overnight money provided some excitement with the Bank of England's forecast a little higher than had been expected in the market. Total help was only about half the shortage forecast but discount houses managed to cover themselves while others were left in the afternoon having to bid up to 11 per cent for overnight money. Rates had opened at 8-7¾ per cent and touched a low in the morning of 7½ per cent.

The Bank of England forecast a shortage of around £700m with factors affecting the market including bills maturing in official hands and the repayment of any late assistance together with a take-up of Treasury bills draining £712m. There was also a rise in the note circulation of £110m. These were partly offset by Exchequer transactions which added £75m and banks' balances brought forward £85m above target.

The forecast was revised to a shortage of around £450m and the Bank gave assistance in the morning of £40m through outright purchases of eligible bank bills in band 4 at 8⅞ per cent.

Further assistance was given in the afternoon of £25m through outright purchases of eligible bank bills in band 4 at 8⅞ per cent. Late help came to £170m, making a total of £235m.

In Frankfurt call money eased to 4.60-4.75 per cent from 4.9-5.1 per cent on Tuesday. This followed the injection of funds by the Bundesbank through currency swaps, designed to offset the strains caused by end of month payments.

Market estimates of how much assistance was given varied between DM2bn and DM4bn. While commercial banks still held sufficient reserves requirements, there was concern that further revenue transfers would cause an additional net drain.

However, the first time the authorities are expected to intervene is next week, to replace a maturing sale and repurchase agreement. Traders will be anxious to see what form this takes since the Bundesbank may rise the facility as a way of influencing the direction of interest rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 29) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 15/16	offer 7	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¼
Broker loan rate	7¾
Fed. funds	6⅝
Fed funds at intervention	6⅝

Treasury Bills and Bonds

One month	5.54	Three year	7.85
Two month	5.71	Four year	8.09
Three month	6.05	Five year	8.19
Six month	6.37	Seven year	8.44
One year	6.83	10 year	8.61
Two year	7.60	30 year	8.86

July 29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.60-4.75	3.90-4.05	3.90-4.05	3.90-4.05	3.95-4.10	5.0
Paris	7⅝-7 13/16	7 11/16-7 13/16	7¾-7⅞	7⅞-8	8¼-8⅜	7½
Zurich	⅞-1⅛	3⅝-3¾	—	3⅝-3¾	—	—
Amsterdam	5⅛-5¼	5 5/16-5 7/16	—	5 5/16-5 7/16	—	—
Tokyo	3.21875	3.53125	—	3.71875	—	—
Milan	10⅝-11¼	11-11½	—	11⅛-11⅝	—	—
Brussels	5.95	6⅛-6½	—	6 9/16-6 11/16	—	—
Dublin	7⅛-7⅞	9⅛-9½	9½-9¾	9⅝-9¾	10⅝-10⅞	—

LONDON MONEY RATES

July 29	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11½-7½	8⅞-8¾	8 13/16-8¾	9⅛-9 3/16	9 5/16-9½	9 13/16-9 11/16
Sterling CDs	—	—	8¾-8⅝	9⅛-9½	9½-9 7/16	9 13/16-9 11/16
Local Auth'rity Deps.	—	—	8¾	9⅛	9½	9⅞
Local Authority Bonds	—	—	9⅛	9½	9⅞	10 3/16
Discount Mkt Deps.	9½-8	8⅞	8⅞	8⅞	—	—
Company Deposits	8¾-8½	—	9-8⅞	9⅛	9⅝	10
Finance House Deposits	—	—	8⅞	9⅜	9⅞	9 13/16
Treasury Bills (Buy)	—	—	8 13/16	8⅞	—	—
Bank Bills (Buy)	—	—	8 13/16	8 13/16	9 3/16	—
Fine Trade Bills (Buy)	—	—	9 3/16	9 5/16	9 11/16	—
Dollar CDs	—	—	6.75-6.70	6.90-6.85	7.15-7.10	7.60-7.55
SDR Linked Deposits	—	—	6-5⅞	6¼-6	6 7/16-6 5/16	6⅞-6½
ECU Linked Deposits	—	—	6¾-6⅝	7-6⅞	7 1/16-6 15/16	7¼-7⅛

Treasury Bills (sell); one-month 8¾ per cent; three-months 8 11/16 per cent; Bank Bills (sell): one-month 8 11/16 per cent; three months 8⅞ per cent; Treasury Bills; Average tender rate of discount 8.8442 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.940 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987; Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¾ per cent; three-six months 9 per cent; six-nine months 9⅛ per cent; nine-12 months 9¼ per cent; Under £100,000 8 per cent from July 16, Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 29 1987					TUESDAY JULY 28 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	147.29	+0.7	136.44	140.14	2.59	146.24	135.59	139.28	149.30	99.92	71.16
Austria (16)	100.50	+0.1	93.09	96.90	2.13	100.38	93.08	96.90	101.62	85.53	88.53
Belgium (48)	133.44	+0.8	123.61	127.19	3.76	132.41	122.77	126.37	133.44	96.19	81.98
Canada (132)	137.64	+1.2	127.50	132.80	2.10	136.07	126.17	131.34	138.59	100.00	94.52
Denmark (39)	114.79	+0.6	106.33	109.95	2.52	114.11	105.80	109.38	124.10	98.18	93.08
France (121)	108.90	+0.7	100.88	105.53	2.68	108.13	100.25	104.82	121.82	98.39	90.54
West Germany (92)	99.01	+0.6	91.71	95.63	1.98	98.42	91.25	95.02	100.33	84.00	81.85
Hong Kong (45)	135.97	+1.5	125.95	136.31	2.66	133.93	124.17	134.26	135.97	96.89	73.83
Ireland (14)	140.14	+0.9	129.82	136.89	3.27	138.83	128.72	135.61	145.41	99.50	97.15
Italy (76)	95.76	+0.2	88.70	96.29	1.89	95.60	88.64	95.89	112.11	93.47	91.34
Japan (458)	134.77	−0.5	124.84	128.38	0.53	135.46	125.59	128.78	161.28	100.00	92.51
Malaysia (36)	184.19	+0.0	170.62	180.52	2.07	184.20	170.79	180.60	186.58	98.24	79.48
Mexico (14)	298.82	+2.1	276.80	460.66	0.65	292.69	271.38	450.58	309.34	99.72	56.92
Netherland (38)	126.83	+0.8	117.48	121.12	3.65	125.80	116.64	120.15	127.97	99.65	89.80
New Zealand (26)	106.16	−0.7	98.34	97.14	2.97	106.88	99.09	97.10	109.97	83.93	70.17
Norway (24)	153.06	+1.9	141.78	141.01	1.93	150.19	139.26	138.78	153.06	100.00	91.36
Singapore (27)	163.26	+0.9	151.23	158.86	1.56	161.78	150.00	157.38	163.97	99.29	78.89
South Africa (61)	186.07	+2.0	172.36	132.29	3.09	182.50	169.21	130.83	186.74	100.00	69.78
Spain (43)	138.07	+1.7	127.90	132.74	3.03	135.71	125.83	130.52	138.07	100.00	83.98
Sweden (33)	120.79	+1.0	111.89	115.65	2.00	119.60	110.89	114.64	124.68	90.85	90.24
Switzerland (53)	103.62	+0.0	95.98	98.86	1.68	103.58	96.04	98.73	104.06	92.01	82.63
United Kingdom (336)	155.92	+1.1	144.43	144.43	3.02	154.26	143.03	143.03	162.87	99.65	94.62
USA (591)	128.67	+1.0	119.19	128.67	2.82	127.35	118.08	127.35	128.67	100.00	98.85
Europe (933)	126.34	+0.8	117.03	119.94	2.71	125.29	116.17	118.97	128.35	99.78	89.41
Pacific Basin (686)	135.23	−0.4	125.26	128.98	0.69	135.77	125.89	129.26	158.77	100.00	91.04
Euro-Pacific (1619)	131.73	+0.1	122.02	125.38	1.46	131.63	122.05	125.16	143.65	100.00	90.40
North America (723)	129.15	+1.0	119.63	128.93	2.78	127.82	118.51	127.60	129.15	100.00	98.60
Europe Ex. UK (597)	107.98	+0.6	100.03	104.64	2.44	107.31	99.50	103.95	107.98	98.02	86.29
Pacific Ex. Japan (228)	140.88	+0.9	130.51	136.11	2.56	139.67	129.50	134.94	141.51	99.92	72.69
World Ex. US (1826)	132.63	+0.1	122.85	125.95	1.51	132.44	122.80	125.67	143.38	100.00	90.29
World Ex. UK (2081)	128.62	+0.4	119.14	125.36	1.89	128.09	118.77	124.76	133.61	100.00	93.54
World Ex. So. Af. (2356)	130.69	+0.5	121.06	127.04	2.00	130.08	120.61	126.38	135.02	100.00	93.76
World Ex. Japan (1959)	129.30	+1.0	119.77	126.47	2.75	128.04	118.72	125.27	129.30	100.00	94.15
The World Index (2417)	131.05	+0.5	121.39	127.12	2.01	130.42	120.92	126.45	135.15	100.00	93.62

Base values: Dec 31, 1986 = 100

The latest prices for Austria were not available for July 29.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$460	33	8.40	39	23	32	36	$458.20
GOLD C	$480	185	3.50	53	14.50	9	25.70	"
GOLD C	$500	36	1.80A	52	10	11	17.50	"
GOLD P	$420	100	0.30	—	—	—	—	"
GOLD P	$440	223	2	30	6.50	—	—	"
GOLD P	$460	260	8.10	400	16	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$750	17	80	—	—	9	180A	$805
SILVER C	$800	3	60	6	95A	4	160	"
SILVER C	$850	—	—	5	65	—	—	"
SILVER P	$750	—	—	15	50	—	—	"
SILVER P	$800	—	—	30	85	—	—	"
SILVER P	$850	—	—	10	100	—	—	"
		Aug 87		Sep 87		Oct 87		
$/Fl. C	Fl.205	—	—	16	4.80	—	—	Fl.209.34
$/Fl. C	Fl.210	156	1	106	1.90	—	—	"
$/Fl. C	Fl.215	—	—	—	—	70	1.50	"
$/Fl. P	Fl.205	—	—	5	1.50	—	—	"
$/Fl. P	Fl.210	7	2.20	—	—	—	—	"
		Dec 87		Mar 88		Jun 88		
$/Fl. C	Fl.195	—	—	—	—	10	14.50	Fl.209.34
$/Fl. C	Fl.205	8	6.40	5	7.30	—	—	"
$/Fl. C	Fl.210	1	4.20	3	5.50	—	—	"
$/Fl. C	Fl.225	7	0.80	—	—	—	—	"
$/Fl. P	Fl.190	7	0.50	—	—	—	—	"
$/Fl. P	Fl.200	23	2.10	—	—	—	—	"
$/Fl. P	Fl.210	10	6.20	10	8.90	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.520	129	8.50	21	16.50	—	—	Fl.493.50
ABN P	Fl.480	38	13.50	10	18.50	2	23	"
AEGON C	Fl.100	101	3	4	5.30	—	—	Fl.96
AEGON P	Fl.95	24	3.70	—	—	—	—	"
AHOLD C	Fl.105	10	5.80	—	—	—	—	Fl.106.50
AHOLD P	Fl.105	145	3.60	—	—	—	—	"
AHOLD P	Fl.90.90	20	0.80	—	—	—	—	"
AKZO C	Fl.180	772	4.70	90	8	15	11.10	Fl.166.40
AKZO P	Fl.160	555	4.50	20	6.90	2	7.50	"
AMEV C	Fl.75	50	1	6	2.50	15	3.10	Fl.66.60
AMEV P	Fl.70	42	5.10	6	5.50	—	—	"
AMRO C	Fl.85	269	3.30	39	5.40	2	6.80	Fl.84
AMRO P	Fl.75	49	1.20	8	2.10	—	—	"
ELSEVIER C	Fl.54	225	3.80	—	—	—	—	Fl.53
ELSEVIER P	Fl. 54	234	4.20B	—	—	—	—	"
GIST-BROC. C	Fl.50	74	3.90	15	5	8	6.70	Fl.50.70
GIST-BROC. P	Fl.50	20	2.70	12	4	1	4.40	"
HEINEKEN C	Fl.190	32	9.40	3	12.50	—	—	Fl.191.30
HEINEKEN P	Fl.190	30	6.80A	—	—	—	—	"
HOOGOVENS C	Fl.45	200	3.80	62	6.20	8	7.20	Fl.46
HOOGOVENS P	Fl.40	139	1.60	1	2.50	20	3.50	"
KLM C	Fl.55	1808	2.90	324	4.70	7	5.40B	Fl.54.30
KLM P	Fl.45	264	0.40	30	1.20	—	—	"
NEDLLOYD C	Fl.180	117	5	25	7.80	—	—	Fl.163
NEDLLOYD P	Fl.160	71	8.50	7	12	—	—	"
NAT.NED. C	Fl.75	324	5.60A	17	7.70	—	—	Fl.78.30
NAT.NED. P	Fl.75	84	2.50	26	3.70	—	—	"
PHILIPS C	Fl.60	3270	1.10	797	2.20B	69	3.30	Fl.53.30
PHILLIPS P	Fl.50	1003	1.30	314	2.50	42	3.10	"
ROYAL DUTCH C	Fl.290	694	9.70	143	15	19	18	Fl.288.10
ROYAL DUTCH P	Fl.270	269	4	10	5.90	—	—	"
ROBECO C	Fl.105	26	6	—	—	3	10.50	Fl.109.70
UNILEVER C	Fl.136	267	9.20	15	13.30	—	—	Fl.140.10

TOTAL VOLUME IN CONTRACTS: 43,974

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Int'l (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank, Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
Cl. Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sunwise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,391

VIXEN

ACROSS

1 Lower in the main? (3-3)
4 The hunter taking part rode badly (8)
10 Forward about five, though very hard up (9)
11 Checks supports (5)
12 Fastidious copper set on edge (4)
13 Against players getting in without authority (10)
15 The revised rate for entertainment (7)
16 Nautical gear, note is quite thin (6)
19 *Conditions in America (6)*
21 Musical drama the heartless act (7)
23 Possibly one cared about the church, but went beyond proper limits (10)
25 Turned up to confront a politician and blow up! (4)
27 Some Australian aborigines eat this plant (5)
28 Honour accorded a club for golf and bridge (4,5)
29 Loitering, aiming to hold a painter back (8)
30 He'll stop leading around the old-fashioned (6)

DOWN

1 Fastens up dogs perhaps, giving only scraps (8)
2 Sober seamen can get net in a tangle (9)
3 Rings about Scandinavian capital left—Norwegian capital (4)
5 The new toaster revolves (7)
6 Makes little of many spring storms (10)
7 A Greek character some detest—he talks too much (5)
8 A service team make themselves at home here (6)
9 Put down RAF officers in a letter (6)
14 Place with a railway still (10)
17 Remain around the coach, as the law requires (9)
18 The guy scorning beasts will hold up drinks (8)
20 Part once it's all arranged (7)
21 *Top man bearing a great* deal from a catty creature (6)
22 A little shot of a Frenchwoman engaged in exercise (6)
24 Figures locks will be needed for some furniture (5)
26 Tax organisation in a way (4)

Solution to Puzzle No. 6,390

CHANCE SATRAP / PASTERN DRIFTER / BEARGARDEN AUID / COATI MALINGER / RETAINER VALET / USED BATHOLIVER / ADVERSE CALUMET / ASSENT ARDENT

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكذا من الأصل

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	112.7	119.2	+0.7	0.77
(Accum Units)	118.1	124.9	+0.7	0.77
British Blue Chip Fund	54.2	57.3	+1.0	2.17
(Accum Units)	54.2	57.3	+1.0	2.17
American Sm Cos Fd	53.3	56.3	+0.2	0.44
(Accum Units)	53.5	56.5	+0.2	0.44
American Income	52.1	55.1	+0.3	4.21
(Accum Units)	56.7	60.0	+0.2	4.21
European Growth	156.5	165.5	+1.4	2.47
(Accum Units)	161.0	170.3	+1.5	2.47
European Income	84.9	89.8xd	+0.7	3.59
(Accum Units)	89.1	94.2xd	+0.7	3.59
General	393.5	416.3	+3.4	1.61
(Accum Units)	653.5	691.5	+5.7	1.61
Gilt	88.3	88.7	+0.3	8.00
(Accum Units)	105.0	105.5	+0.4	8.00
Global Fund	51.8	54.8	+0.2	0.67
(Accum Units)	51.8	54.8	+0.2	0.67
High Interest Fund	47.8	50.5xd	+0.0	8.90
(Accum Units)	48.2	51.0xd	+0.1	8.90
High Income Fund	55.0	58.2xd	+0.4	4.51
(Accum Units)	55.9	59.1xd	+0.4	4.51
Income	152.7	159.8	+1.6	2.91
(Accum Units)	151.5	160.3	+1.8	2.91
International	297.8	315.1xd	-1.9	1.11
(Accum Units)	372.7	394.3xd	-2.4	1.11
Japan	199.8	211.4	-0.5	0.55
(Accum Units)	205.1	217.0	-0.5	0.55
Pacific Fd	58.3	61.6xd	+0.3	0.10
(Accum Units)	58.3	61.6xd	+0.3	0.10
Recovery	333.7	353.1	+5.0	1.45
(Accum Units)	362.9	384.0	+5.5	1.45
UK Smaller Co's Fd	56.7	59.9	+0.2	1.64
(Accum Units)	56.7	59.9	+0.2	1.64
Exempt	367.2	378.6	—	2.28
(Accum Units)	575.3	590.0	—	2.28

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin July 22	644.0	654.0	—	1.06

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45184

UK Income Fund	67.0	71.3	+1.0	4.21
Accum Units	67.0	71.3	+1.0	4.21
UK Growth Fund Acc	65.7	69.8	+0.4	1.43
Global Income Fund	49.7	52.8	—	3.79
Accum Units	49.7	52.8	—	3.79
Global Growth Fund	48.3	51.3	+0.5	0.49

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	82.2	86.9xd	+0.3	0.35
Holborn Equity Income	76.8	81.2	+0.2	3.17
Holborn Equity Tst	618.6	654.4	+6.8	2.06
Holborn European Tst	122.3	129.4	+1.8	0.64
Holborn Gilt Tst	217.8	220.0	+0.3	2.16
Holborn High Inc Tst	92.5	97.6xd	+0.8	4.42
Holborn Intl Grth Tst	122.1	129.2xd	+0.9	0.48
Holborn Japanese Tst	127.4	134.8	-0.9	0.04
Holborn N. Amer Tst	96.7	102.3	+0.7	0.47
Holborn Sm Cos Tst	83.1	87.9	+0.8	1.32
Holborn Spec Sits Tst	110.6	116.9xd	+1.3	1.23
Holborn UK Growth Tst	123.7	130.8	+2.5	1.48

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	687.3	727.4	—	1.35
Quadrant Income	341.2	361.1xd	—	3.68
Quadrant Intl. Fund	457.4	484.1	—	1.03
Quadrant Spec. Sits	484.9	513.2	—	1.28

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	253.6	269.7	+2.9	2.13
Reliance Unit Tst (Inc)	176.8	188.0	+2.4	1.72
Reliance Ut Tst (Acc)	237.9	253.0	+3.2	1.72

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	50.7	53.9	+0.4	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-626 2981/4

NC America (Inc)	328.9	349.8xd	+0.6	0.77
NC America (Acc)	362.8	385.9	+0.6	0.77
NC Inc Fd	132.0	140.4	+1.3	2.68
NC Japan Fd	200.4	213.1	+3.3	0.0
NC Major UK Cos Fd	74.3	79.0xd	+0.9	1.52
NC Smllr Australasian	90.6	96.3	+0.3	0.49
NC Smllr Canadian CoFd	49.7	52.7	-0.1	0.93
NC Smaller Cos	253.8	269.9	+2.2	0.85
NC Smaller European	196.2	208.7	+0.7	0.46
NC Prop.*	157.2	171.6	—	(z)

*Unauthorised Unit Trusts
For Rowan see Merlin

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	451.4	475.2		—
Property	281.7	296.5		—
Equity	591.5	622.1		—
Gilt Edged	361.9	380.9		—
Deposit	204.7	215.5		—
Investment	248.0	260.4		—
International	420.3	442.4		—
Pension Fund Prices				
Managed Init.		333.4		—
Do. Accum.		408.6		—
Property Init.		244.3		—
Do. Accum.		299.3		—
Equity Init.		447.7		—
Do. Accum.		547.8		—
Gilt-Edged Init.		231.1		—
Do. Accum.		283.2		—
Guaranteed Init.		158.1		—
Do. Accum.		193.8		—
International Init.		510.6		—
Do. Accum.		625.2		—
Index Lk. Gilt Init.		137.9		—
Do. Accum.		168.9		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property		304.2	+0.7	—
Property Pens.		403.0	+1.4	—
Equity		208.0	+1.6	—
Equity Pens.		945.5	+10.2	—
Money Market		305.5	+0.0	—
Money Mkt. Pens.		540.4	+0.1	—
Deposit		237.1	+0.0	—
Deposit Pens.		377.7	+0.1	—
Managed		304.3	+1.9	—
Managed Pens.		589.7	+5.3	—
Intl. Equity		356.4	+1.8	—
Do. Pens.		577.2	+3.6	—
Intl. Managed		327.5	+2.1	—
Do. Pens.		487.3	+4.3	—
North American		133.9	+0.4	—
Do. Pens.		154.2	+0.5	—
Far East		293.0	+1.1	—
Do. Pens.		425.8	+0.1	—
Intnl. Currency		179.8	+0.0	—
Do. Pens.		226.7	+0.0	—
Index Linked		139.0	+1.0	—
S & C Managed Fd		141.5	+0.8	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	1987 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
101½	100⅝	Treas. 12pc 1987	100⅜		11.93	9.12
99⅝	97⅞	Treas 7¾pc 1985-88‡‡	99⅜	–⅛	7.79	8.74
102¼	99⅞	Exch 10½pc '88	100⅞		10.43	9.53
101⅞	98⅞	Treas 9¾pc Cv '88	100⅛		9.74	9.50
97⅛	93⅞	Transport 3pc '78-88	96⅞		3.10	6.75
101¼	98⅛	Treas. 9½pc '88	99⅞		9.51	9.55
105⅞	101⅛	Treas 11½pc 1989	102¾xd		11.19	9.53
102⅞	97⅞	Treas 9½pc Cnv 1989	99⅞	+⅛	9.51	9.51
94⅞	89¾	Treas 3pc 1989	94⅛		3.19	6.57
104¼	99⅞	Treas 10½pc 1989	101⅞	+⅛	10.33	9.49
103⅛	98½	Exch 10pc 1989	100⅞xd	+⅛	9.92	9.51
105¼	100⅝	Exch 11pc 1989	102¾	+⅛	10.71	9.53
95⅞	89⅛	Treas 5pc 1986-89	94¾		5.27	7.56
108⅛	100⅝	Exch 10¼pcCv '89	102⅞	+⅛	9.98	8.86
111⅛	105⅝	Treas 13pc 1990‡‡	107⅛		12.08	9.45
106¼	100⅞	Exch 11pc 1990‡‡	103⅛xd		10.65	9.50
110¼	104⅞	Exch. 12¼pc 1990	106⅞		11.71	9.52
91⅞	84⅞	Treas. 3pc 1990	90¼	+⅛	3.31	6.70
100⅛	93⅞	Treas 8¼pc 1987-90‡‡	98	+⅛	8.42	9.06
105	97½	Treas. 10pcCv 1990	101¼	+⅛	9.88	9.53
89⅞	81⅛	Exch 2½pc 1990	88⅞	–⅛	2.83	6.44
110¼	103¾	Treas 11¾pc 1991	106¼	+⅛	11.05	9.53
95⅛	87¾	Funding 5¾pc '87-91‡‡	92⅞	–⅛	6.20	8.07
89⅞	80¾	Treas. 3pc 1991	87⅞	–⅛	3.42	6.75
110¾	100⅞	Treas 10pc Cv '91‡‡	103¼	+⅛	9.70	9.05
109¾	101¼	Exch. 11pc 1991	104⅞	+⅛	10.48	9.54
18⅞	17⅞	Treas. 8pc 1991 (£20pd)	18¼	+⅛	8.23	8.78
116⅞	108⅞	Treas 12¾pc 1992‡‡	111⅞	+⅛	11.43	9.49
106⅞	97⅞	Treas 10pc 1992	102xd	+¼	9.81	9.46
99⅝	94⅞	Treas. 8pc 1992‡‡	94⅞	+⅛	8.35	8.47
108⅞	99⅞	Treas 10½pc Cv 1992‡‡	105¼	+⅛	10.11	9.49
85⅜	85⅛	Treas. 3pc 1992	85⅛		3.50	6.46

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	1987 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53xd		3.50	16.60
50	40	Do 6pc 28 Stb. Ass.	50		3	16.00
47	45	Do 4pc Mixed Ass.	47		2	14.26
66	58	Hung. '24 Ass.	65		2.75	14.23
146½	122⅞	Hydro Quebec 15pc 2011	136½	–¼	15.00	10.72
94	83	Iceland 6½pc '83-88	90		—	—
136¼	115½	Do 14½pc Ln. 2016	127¾xd	–¼	14.50	11.22
103½	94	Ireland 9¾pc '91-96	98½	–¼	9.75	9.96
98½	85	Japan 6% '83-88	88		—	—

AMERICANS

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
41⅛	32¾	Abbott Laboratories$	38¼	–¼	$1.00	—	1.6
17	11½	Ahmanson (H.F.)	12½	+¼	88c	—	4.3
37½	24½	Alcoa $1	36½	–¼	$1.20	—	2.0
18⅞	15½	#Allegheny & W $0.01	15½				
19⅞	8½	Amax $1	16½		—	—	—
26¼	17¾	Amdahl 5c	22¼		20c	—	0.5
33	25½	Amer. Cyanamid $5	32¼	+¼	$1.90	—	3.6
25⅛	18	Amer. Express $0.60	22½xd	+¼	$1.44	—	3.9
12⅞	10	Amer. Medical Int. $1	12½	+¼	72c	—	3.5
19¾	14¼	American T & T $1	19½	+¼	$1.20	—	3.7
63	46½	Ameritech $1	53¼	+¼	$4.??	—	5.4

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Gr's	P/E
[illegible]								
111	95	Ardshiel Res. 10p	110		—	—	—	—
46	9	Ardmore Pet. 'A'	23	–2	—	—	—	—
98	45	Catalyst Comms 5p	87	...	—	—	—	36.2
200	163	Chelsea Artisans 5p	168	–5	—	—	—	22.5
180	155	Comac Group 5p	163	.....	—	—	—	—
151	47	Corton Beach 10p	130	.....	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	172	+2	—	—	—	—
285	102	[illegible]	265	.....	—	—	—	—
*62	18	Eglinton Oil Ir.5p	34	.....	—	—	—	—
41	17	Do. Warrants	22	.....	—	—	—	—
186	101	Far East Res. 10p	183	–3	—	—	—	—
82	17	Publishing Hldgs.5p	77	+2	—	—	—	44.6
87	45½	Theme Holdings	72	+1	1.0	♦	1.9	♦
140	111	Unit Group	140d	.....	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- § Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	90	–1	Fin. 13% 97/02	£103⅝	.....
Craig & Rose £1	£20	.....	Arnotts	370	.....
Finlay Pkg. 5p	124	–1	CPI Hldgs	85	.....
Holt (Jos) 25p	1003	.....	Carroll Inds.	165	.....
IoM Stm. £1	146	.....	Dublin Gas	18	.....
			Hall (R. & H.)	145	.....
IRISH			Heiton Hldgs.	58	.....
Fund 11¼% 1988	£100¾	.....	Irish Ropes	190	.....
Nat. 9¾% 84/89	£97¼	.....	Unidare	430	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp.	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

Oils and golds feature advance in equities but Gilt-edged remain sluggish

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
July 13	July 23	July 24	Aug 3
July 27	Aug 6	Aug 7	Aug 17
Aug 10	Aug 20	Aug 21	Sept 1

* New time dealings may take place from 9.00 am two business days earlier.

The UK equity market extended its recovery yesterday, led forward by gains in oil and gold share sectors which reflected growing concern over the situation in the Gulf of Oman. But turnover in the stock market was sluggish and it was left to a handful of special situations to provide the features. Government bonds had a slow, two-way trading session, closing little changed on the day.

Both sectors started well, helped by overnight firmness in the pound in New York. Gilts proved unable to sustain the early gain but equities were fuelled by gains in the major oil and natural resources stocks, including Shell, **Consolidated Gold Fields** and **RTZ**.

Share prices came off the top a couple of times before heading upwards again to close at the day's best levels. The FT-SE 100 index gained 23.2 to 2383.1, bringing a recovery of nearly 50 points in the past two sessions. The FT Ordinary Index at 1874.9 added 19.4.

Imperial Chemical Industries again led industrials ahead, as City analysts turned bullish on today's interim results, and played down prospects of a rights issue from the chemical leader.

Other active features among the major industrials usually reflected speculative buying or company announcements. Banking stocks were irregular, with **National Westminster** still firm on their interim results but **Barclays** little changed ahead of their half-timer, which is due today.

The privatisation issues played a subdued role by comparison with recent sessions. The **BAA** stock, in its second trading day, slipped back from its 46p permium to 40p remium, on turnover down dramatically from 134m to only 28m shares.

British Gas came back sharply as it faced a possible legal move over gas prices in the UK — but turnover was light at 19m shares. **British Aerospace**, however, rallied from its recent weakness.

Government bonds had a disappointing session, with traders holding prices within a tight trading range as they awaited the UK trade figures for June — not July as reported yesterday — expected on August 11. Gilts were very sensitive to sterling, shedding early gains on reports of a large seller of pounds in the foreign exchange market.

The bond market made little response to late news that more mines had been found in the Gulf, although sentiment was helped by a pound standing just above $1.60 in London.

Hawker moved ahead strongly to close 50 higher at 630p in the wake of the announcement of further expansion of its instruments and control business.

Hawker has agreed to purchase Aerospace Avionics, a privately owned American corporation for £17.5m cash. The company supplies specialist electronics subsystems to leading manufacturers in the US aerospace industry.

Thorn EMI shares were extremely volatile as recent widespread speculation of a substantial expansion in the US proved to be correct. Thorn revealed proposals for the purchase of Rent-A-Center, the American market leader in household durable goods rental with some 438 outlets across 38 states, via a tender offer arranged by Goldman Sachs worth $594m (£371m).

Thorn dipped to 722p at one stage before recovering to 744p—still down 12 on the session—as brokers Rowe and Pitman placed 53.45m shares with institutions at 695p apiece. A clawback facility will operate for existing Thorn shareholders.

BOC jumped 24 to 552p as the market welcomed news of the company's proposed sale of its US based Airco carbon graphite businesses at book value to Horsehead Industries of America.

In the last financial year, BOC's figures were affected by an exceptional write down of fixed assets as a result of substantial losses in the manufacture of graphite electrodes. Despite a recovery in these operations at the half-way mark in the current year, analysts had taken a cautious view of prospects in an area which was regarded as highly competitive and subject to high pressure on margins.

Costain Group, rumoured recently as a possible bid target for Consolidated Gold Fields, reacted smartly to 362p, down 14, as recent speculators unwound positions. Elsewhere in the Building sector, **Marley** were supported at 128p, up 9. **Redland** firmed 8 to 557p on the announcement that the company has increased its stake to 50.1 per cent in Monier which has now become a subsidiary. Redland also stated that there is no present intention to make an offer for the balance of the shares. **RMC** held at 523p despite reports of a large line of shares on offer.

Buyers were still showing interest in **ICI** ahead of today's half-year figures and the shares edged up ⅛ more to £15½. **Laporte** jumped 25 to 549p in the wake of reports of a presentation by a leading investment house.

Thorn EMI excepted, leading Electricals passed the session in a relatively sedate manner. **STC** hardened a few pence to 314p; the interim results are scheduled for next Monday with Chase Manhattan Securities expecting pre-tax profits in the £75m range. Elsewhere, **MBS** were favoured and rose 12 to 158p as the market expressed satisfaction over the acquisition of Combro, a microcomputer products distributor based in Manchester in a £7.9m deal. **Misys** leapt 30 to 310p following the sharply improved full year profits, but profit-taking finally caught up with recent high-fliers **Ealing Electro-Optics**, 14 off at 277p, and **Electronic Machine**, 40 down at 220p.

Among the Engineers, **Stothert and Pitt** jumped 63 to 180p on the offer from Hollos for the outstanding Ordinary and Preference shares not already owned. **Dewnibrae**, in contrast, met with profit-taking after the recent strong advance on expansion hopes and reacted 20 to 228p. Stake building rumours boosted **Howden** which closed 10½ to the good at 127p, while **Weir Group** edged up 10 to 246p on the proposed acquisition of the loss making pump manufacturing arm of Mather and Platt from Wormald International.

Having traded in extremely subdued fashion earlier in the week, Food Retailers met encouraging interest to finish around the day's best levels. **ASDA-MFI**, regarded as "oversold" by some sources, rallied a few pence to 204p as some 8.5m shares changed hands. A lively business was also transacted in **Dee Corporation**, finally 7 to the good at 236p. Comment on possible acquisition plans lifted **J. England** 11 to 206p.

Food Manufacturing issues highlighted **Hillsdown** which improved another 5 for a two-day gain of 14 to 325p as interest emanating from a broker's recommendation was compounded by news that the Kuwait Investment Office holds 8.2 per cent of the equity. **Rowntree**, increasingly susceptible to a squeeze on bear positions, put on 13 more to 563p, while fresh takeover chatter lifted **Bernard Matthews** 6 to 185p. **Sidney C. Banks**, the grain and agricultural merchant, rose 25 to 630p reflecting interest ahead of today's annual results. An exception to the trend was provided by **Unigate**, finally 4 off at 391—a two-day decline of 12—as sentiment, already unsettled by a Hoare Govett "sell" recommendation, was further hit by a downgrading of profits by BZM.

Among Hotels, **President Entertainments** firmed 15 to 247p following the acquisition of Olivers (UK) from Ladbroke for £4.71m. Olivers is a 30-strong restaurant and bakery chain and the deal is to be financed by the placing of 2.14m President shares by Phillips and Drew at 220p apiece.

Apart from BOC, gains in the miscellaneous idustrial leaders were limited to a few pence. **Pilkington** edged up ⅛ to £10¼, sentiment being helped by the chairman's annual statement. Elsewhere, **British Aerospace**, a friendless market of late following a number of broker's downgraded profits forecasts, staged a useful revival, closing 17 to the good at 542p. **Reed International** rose 19 to 563p in a relatively modest volume of some 2.1m shares accompanied by a revival of takeover talk. **Johnson Matthey** moved up 15 to 406m helped by the strength of the platinum price, while **Havelock Europa**, reflecting the preliminary figures, improved 7 to 378p. **Rank Organisation**, the subject of a recent buy circular from Morgan Grenfell, took a distinct turn for the better and closed 26 higher at 775p. **Dominion International** improved 8 to 134p in the wake of the chairman's remarks that he hopes to make a statement within two weeks concerning an approach to the company. **Lilleshall**, still reflecting news of the increased holding announced by the Manny Davidson Discretionary Trust, rose 15 more t 448p.

Paper/Printing issues highlighted **David S. Smith** which spurted 30 to 472p as the preliminary results easily exceeded market expectations, largely due to a better-than-anticipated contribution from the St Regis subsidiary. Also on the results front, **Gibbon Lyons** pleased with its increased full-year profits and firmed 8 to 156p, while further consideration of the group's growth potential in the light of Tuesday's half-timer lifted **WPP** 10 to 890p. Takeover chestnut **Olives Paper Mill** advanced another 32 to 198p before dealings were suspended at 11 am; the directors stated that discussions were in progress with a third party "with a view to strengthening the capital base."

Ocean Transport and Trading hardened a couple of pence to 370p in response to the increased interim profits and dividend. Greenwell Montagu however, regarded the figures as "disappointing" and advised client to reduce holdings. The share price is clearly being maintained by the continued presence of Mr Ron Brierley's IEP which controls 27.5 per cent of the equity as a legacy of last year's failed bid. Elsewhere in Shippings, **Graig**, regarded as a likely "asset value" situation, advanced another 45 to 600p.

Oil shares moved ahead in the wake of rising crude prices amid increasing tension as Iran threatened to attack Gulf countries' oil and industrial installations. **BP** gained 7 to 385½p and **Shell** improved ¼ to £14⅔. **Britoil** were active and prominent again with a fresh rise of 14 at 331p in anticipation of tomorrow's interim figures. Elsewhere, speculative demand lifted **Ultramar** 5 more to 307p, while **Premier** met with good buying interest and put on a couple of pence to 77½p. **Clyde** were also noteworthy for a rise of 7 at 112½p.

Concern over the worsening situation in the Gulf prompted another rise in both gold bullion and platinum prices, and sparked a swift advance in gold producer issues. The surge in platinum to a two-month peak helped push bullion through $459—a sensitive chart level.

South African producer stocks opened sharply higher on overnight interest from the Continent but made little further progress during the morning when interest from the Cape was disappointing. Towards the close, however, prices firmed up afresh on US support, closing with gains of $2 to $3, featured by **Vaal Reefs**.

Once again, the strongest gains were scored by the heavyweights, including **Consolidated Gold Fields** and **RTZ**. A Continental order for 300,000 ConsGold shares put the market ahead in early dealings, and the stocks closed ½ up on the day at £13¾. Also active was **RTZ**, ½ up on the day at £13¼.

Lonrho were also a notable beneficiary of buoyant metal prices, rising 10 to 300p as Chase Manhattan Securities reiterated its recent "buy" advice, a stance mirrored by BZW on the basis of the yield on Lonrho shares.

FINANCIAL TIMES STOCK INDICES

	July 29	July 28	July 27	July 24	July 23	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	88.67	88.76	88.37	89.35	89.37	89.35	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.43	96.52	96.73	96.90	97.00	96.02	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1874.4	1855.0	1834.2	1845.0	1836.1	1280.3	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	454.2	440.0	439.8	442.8	447.5	193.2	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.07	3.10	3.14	3.12	3.13	4.31				
Earnings Yld. % (full)	7.45	7.52	7.62	7.58	7.61	10.49				
P/E Ratio (net) (*)	16.52	16.35	16.12	16.22	16.15	11.63				
SEAQ Bargains (5 pm)	53,519	51,949	47,113	58,915	46,687	—				
Equity Turnover (£m)	—	1,665.21	1,545.45	1,742.85	2103.37	456.20				
Equity Bargains	—	66,801	61,397	63,904	57,365	19,318				
Shares Traded (ml)	—	773.2	712.0	897.5	734.5	251.9				

S.E. ACTIVITY

Indices	July 28	July 27
Gilt Edged Bargains	128.1	138.7
Equity Bargains	432.8	397.8
Equity Value	3365.8	3123.8
5-Day Average		
Gilt Edged Bargains	140.7	147.9
Equity Bargains	399.4	399.4
Equity Value	3666.9	3646.9

♥ Opening 1854.8 | 10 a.m. 1863.9 | 11 a.m. 1871.9 | Noon 1868.9 | 1 p.m. 1870.6 | 2 p.m. 1871.3 | 3 p.m. 1870.3 | 4 p.m. 1870.3

Day's High 1874.7 Day's Low 1854.4. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=16.21.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

S.E. Activity Figs. for July 24, Gilt Edged Bargains 119.7, Equity Bargains 434.1 Equity Value 3522.7. 5-Day Averages; Gilt Edged 150.3, Equity Bargains 406.5, Equity Value 3553.7.

Traded Options

Traded options business featured Sears where the continuing strength of the underlying security—up 2½ to 185p yesterday—following Mr Robert Holmes à Court's revived enthusiasm stimulated strong demand for call positions, particularly the September 180 series which contributed 2,771 trades out of a class total of 3,834. Business in BAA was, as expected, sharply reduced from the levels seen following Tuesday's introduction; BAA recorded 852 calls and 2,860 puts. Total contracts struck in all classes amounted to 33,779.

Traditional Options

- First dealings July 20
- Last dealings July 31
- Last declaration Oct 22
- For Settlement Nov 2

For rate indications see end of London Share Service

Stocks to attract money for the call included Unigate, Burnett and Hallamshire, Martin Ford, Hartwells, Eglinton Oil, Atlantic Resources, Newman Industries, Kalon, BAA, Eagle Trust, Property Trust, Brown and Jackson, Talbex, Central and Sheerwood, Control Securities, Cookson, Bunzl, Keep Trust, Wheway, Associated British Engineering, Norfolk Capital, Hawtin, British Dredging, London Associated Investment Trust, Hampton Trust, TR Energy, GM Firth, Sound Diffusion, Trimoco, Enterprise Oil, Dalgety, Amber Day, British Land, Chloride, GKN, Rolls-Royce and Scottish and Newcastle. Eagle Trust was deal in for the put, while double options were arranged in *Unigate* and *Mine Arrow*.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	8,500	204	+2	Jaguar	613	589	—
Allied Lyons	4,000	460	+11	Ladbroke	522	444	+2
Amstrad	1,600	181	—	Land Securities	1,500	582	+11
Argyll Group	591	448	−1	Legal & Gen.	1,800	341	+11
Assoc. Brit. Foods	101	387	+1	Lloyds Bank	2,600	382	−7
BAT	785	632	−2	Lonrho	6,325	300	+10
BET	583	296	+5	MEPC	704	562	+10
BOC	700	552	+24	Marks & Spencer	5,200	266	+2
BPB Inds	139	843	+5	Midland Bank	1,300	625	—
BPCC	709	338	+8	NatWest Bank	3,700	767	+5
BTR	947	337	+2	Next	5,100	335	+5
Barclays	1,500	653	—	Pearson	974	755	+6
Bass	189	£10⅛	+0⅛	P & O	154	746	−1
Beecham	3,200	568	+4	Pilkington Bros	1,500	£10¼	+0⅛
Blue Circle	1,100	520	+10	Plessey	2,500	209	+2
Boots	2,400	323	+4	Prudential	551	£10⅔	+0¼
Brit. Airways	4,200	160½	+3½	Racal	4,200	282	+4
Brit. Aero	3,700	542	+17	Rank Org.	1,525	775	+26
Brit. & Comm.	771	554	−4	RHM	430	343	—
British Gas	19,000	180½	−0½	Reckitt & Col	3	£11⅛	—
Britoil	6,600	331	+14	Redland	718	557	+8
BP	5,800	385½	+7	Reed Intl.	2,200	563	+19
Brit. Telecom	3,400	291½	+1½	Reuters	516	890	+4
Bunzl	434	268	−1	RMC	1,600	523	+3
Burton	1,000	330	+3½	RTZ	1,300	£13¼	+0½
Cable & Wire	3,400	431	+2	Rolls-Royce	8,000	120	+1
Cadbury Schwps	427	277	—	Rowntree	385	563	+13
Coats Viyella	1,300	360	+16	Ryl Bank Scotland	1,000	416	−11
Comm. Union	1,500	375	+2	Royal Insurance	1,000	868	−1
Cons. Gold	1,450	£13¾	+0½	STC	1,600	314	+4½
Cookson	793	778	+9	Saatchi & Saatchi	535	669	+1
Courtaulds	945	503	+4	Sainsbury	356	285	+1
Dee Corpn	6,200	236	+7	Scott & Newcastle	476	256½	+1½
Dixons Group	895	379	+2	Sears	11,000	185	+2½
English China Clays	488	512	+2	Sedgwick	780	340	+1
Fisons	650	364	+2	Shell Trans	2,400	£14⅔	+0¼
Gen. Accident	151	£11	+0⅛	Smith & Nephew	3,600	186	+4
Gen. Elect	7,500	240	+2	Standard Chart	140	823	—
Glaxo	1,500	£17¾	−0⅛	Storehouse	6,600	343	+11
Globe Investment	586	147½	+1	Sun Alliance	211	£10⅞	−0⅛
Granada	2,400	350	+8	TSB	1,900	91	—
Grand Met	1,400	574	+6	Tarmac	1,100	327	+7
GUS "A"	286	£14⅛	+0⅛	Tesco	1,700	198	+1½
Guardian R.E.	402	£10⅛	+0⅛	Thorn EMI	5,000	744	−12
GKN	2,100	396	+7	Trafalgar House	1,500	422	+6
Guinness	4,800	374	+7	T'house Forte	2,600	276½	+4½
Hammerson	229	613	+3	Unigate	1,000	391	−4
Hanson Trust	17,000	180½	−1	Unilever	647	686	+11
Hawker Sidd	2,800	630	+50	United Biscuits	1,400	334	+1½
Hillsdown Hldgs	1,800	325	+5	Wellcome	790	475	—
ICI	1,300	£15½	+0⅛	Whitbread "A"	1,600	370	+10
				Woolworth	1,300	413	+8

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	79	11	23
Corporations, Dominion and Foreign Bonds	4	13	41
Industrials	673	288	601
Financial and Properties	242	91	266
Oils	47	24	43
Plantations	6	1	7
Mines	82	20	88
Others	102	61	92
Totals	1,235	509	1,161

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (224)

AMERICANS (10), CANADIANS (1), BANKS (2), BREWERS (2), BUILDINGS (8), CHEMICALS (10), STORES (11), ELECTRICALS (14), ENGINEERING (24), FOODS (7), HOTELS (2), INDUSTRIALS (47), INSURANCE (2), LEISURE (2), MOTORS (1), NEWSPAPERS (1), PAPERS (8), PROPERTY (8), SHIPPING (3), SOUTH AFRICANS (2), TEXTILES (1), TRUSTS (39), OILS (7), OVERSEAS TRADERS (1), PLANTATIONS (2), MINES (19).

NEW LOWS (0)

No New Lows.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed July 29 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues July 28 Index No.	Mon July 27 Index No.	Fri July 24 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	1013.58	+1.1	6.78	2.69	18.51	12.60	1002.22	992.41	998.02	697.25
2	Building Materials (30)	1327.78	+1.7	6.70	2.58	18.60	15.55	1305.87	1293.55	1293.27	782.66
3	Contracting, Construction (33)	1867.82	+0.9	6.44	2.57	20.76	19.38	1851.86	1828.76	1836.30	1200.29
4	Electricals (12)	2696.52	+0.5	5.58	2.87	23.11	36.50	2684.26	2667.42	2667.80	1803.04
5	Electronics (35)	2159.56	+0.7	7.11	2.27	18.23	27.83	2145.48	2137.01	2162.25	1581.31
6	Mechanical Engineering (60)	542.20	+1.7	7.43	3.13	16.89	8.01	533.19	527.51	529.91	392.60
8	Metals and Metal Forming (7)	586.88	+1.3	6.62	2.68	18.21	6.86	579.23	569.39	572.66	339.35
9	Motors (14)	394.34	+0.7	7.65	2.71	15.20	3.42	391.77	384.22	389.12	290.44
10	Other Industrial Materials (21)	1660.32	+0.9	5.81	2.92	20.75	22.53	1645.00	1626.53	1634.50	1243.59
21	CONSUMER GROUP (184)	1377.11	+0.9	5.75	2.47	22.30	14.82	1364.57	1352.64	1357.62	898.66
22	Brewers and Distillers (22)	1244.24	+1.2	7.54	2.87	16.68	13.24	1229.61	1224.91	1241.28	907.39
25	Food Manufacturing (24)	1057.14	+1.0	6.63	2.89	19.59	15.17	1046.72	1035.02	1046.56	655.73
26	Food Retailing (16)	2565.95	+0.9	5.07	2.26	26.84	25.07	2543.59	2525.50	2519.94	1787.47
27	Health and Household Goods (10)	2596.29	—	3.90	1.54	30.03	15.15	2597.32	2559.97	2583.59	1521.65
29	Leisure (31)	1438.86	+0.5	5.82	3.03	22.27	20.69	1431.69	1418.80	1427.37	890.30
31	Packaging & Paper (15)	728.24	+1.1	5.61	2.37	23.60	7.88	720.14	715.62	716.79	464.50
32	Publishing & Printing (14)	4591.92	+2.4	4.66	3.03	27.61	59.63	4483.06	4456.17	4468.81	2465.30
34	Stores (36)	1160.58	+1.1	6.13	2.49	22.16	12.81	1148.01	1140.03	1129.63	859.62
35	Textiles (16)	852.36	+1.8	7.27	2.63	15.95	11.71	837.00	829.97	828.90	523.47
40	OTHER GROUPS (87)	1164.97	+0.7	7.43	3.00	16.79	11.45	1156.62	1142.16	1145.27	746.86
41	Agencies (16)	1770.01	+0.6	3.93	1.36	33.59	10.01	1758.78	1746.44	1739.58	0.0
42	Chemicals (22)	1479.10	+1.8	6.66	2.97	18.36	21.83	1453.64	1421.83	1423.51	916.46
43	Conglomerates (12)	1478.67	+0.7	7.19	3.11	15.96	18.93	1468.17	1460.29	1465.25	0.0
45	Shipping and Transport (11)	2414.19	+0.4	6.44	3.32	20.49	37.76	2404.07	2381.53	2396.93	1460.80
47	Telephone Networks (2)	1145.45	+0.5	8.81	3.53	15.14	2.95	1139.67	1121.19	1119.52	768.25
48	Miscellaneous (24)	1631.37	—	8.62	2.72	13.91	18.99	1630.93	1619.74	1638.67	1019.43
49	INDUSTRIAL GROUP (483)	1240.84	+0.9	6.47	2.67	19.54	13.57	1229.50	1217.19	1221.98	817.54
51	Oil & Gas (17)	2345.49	+1.4	4.67	3.94	27.75	44.63	2312.25	2280.61	2316.76	1187.48
59	500 SHARE INDEX (500)	1354.61	+1.0	6.20	2.86	20.45	16.27	1321.41	1307.45	1314.92	850.25
61	FINANCIAL GROUP (119)	867.48	+0.6	—	3.43	—	14.01	862.40	853.32	855.90	596.76
62	Banks (8)	875.01	−0.2	15.82	4.36	8.36	17.82	877.15	871.58	878.91	643.83
65	Insurance (Life) (9)	1169.60	+2.8	—	3.60	—	20.71	1137.95	1117.70	1127.56	834.00
66	Insurance (Composite) (7)	650.65	+0.2	—	3.76	—	11.76	649.22	635.68	636.94	480.34
67	Insurance (Brokers) (9)	1378.64	+0.6	8.19	4.12	15.73	26.32	1370.94	1364.42	1353.72	1217.80
68	Merchant Banks (11)	499.02	+0.3	—	2.71	—	6.88	497.45	495.70	495.84	325.96
69	Property (47)	1325.61	+1.0	3.60	2.23	35.93	12.29	1312.95	1297.47	1296.99	781.13
70	Other Financial (28)	596.25	+0.2	5.58	2.71	22.57	7.44	595.08	593.38	590.81	336.71
71	Investment Trusts (91)	1128.18	+0.3	—	2.13	—	11.46	1124.40	1114.79	1124.66	746.82
81	Mining Finance (2)	664.68	+4.1	5.08	2.50	22.62	6.79	638.63	636.12	631.17	245.24
91	Overseas Traders (10)	1171.28	+1.3	7.78	4.02	15.26	23.33	1156.28	1143.66	1147.71	636.04
99	ALL-SHARE INDEX (722)	1210.46	+1.0	—	2.92	—	15.44	1198.96	1186.50	1192.66	775.34

	Index No.	Day's Change	Day's High	Day's Low	July 28	July 27	July 24	July 23	July 22	Year ago
FT-SE 100 SHARE INDEX ♣	2383.1	+23.2	2384.4	2364.3	2359.9	2333.9	2346.9	2340.2	2344.5	1566.3

FIXED INTEREST

	PRICE INDICES	Wed July 29	Day's change %	Tues July 28	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	122.39	+0.06	122.32	—	6.83
2	5-15 years	138.94	+0.10	138.81	—	8.51
3	Over 15 years	148.79	+0.04	148.73	—	7.25
4	Irredeemables	162.44	+0.19	162.13	—	7.27
5	All stocks	136.15	+0.07	136.05	—	7.78
	Index-Linked					
6	5 years	122.66	+0.18	122.44	—	1.57
7	Over 5 years	116.50	+0.66	115.73	—	2.08
8	All stocks	116.83	+0.62	116.11	—	2.03
9	Debentures & Loans	121.29	+0.06	121.21	—	6.20
10	Preference	88.03	+0.33	87.74	—	3.49

	AVERAGE GROSS REDEMPTION YIELDS		Wed July 29	Tues July 28	Year ago (approx.)
	British Government				
1	Low	5 years	8.35	8.35	8.21
2	Coupons	15 years	9.34	9.34	9.18
3		25 years	9.35	9.36	9.20
4	Medium	5 years	9.50	9.52	9.51
5	Coupons	15 years	9.58	9.59	9.50
6		25 years	9.58	9.59	9.50
7	High	5 years	9.65	9.66	9.68
8	Coupons	15 years	9.71	9.72	9.65
9		25 years	9.44	9.44	9.49
10	Irredeemables †		9.19	9.21	9.20
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.51	2.56	3.82
12	Inflat'n rate 5%	Over 5 yrs	3.76	3.80	3.54
13	Inflat'n rate 10%	5 yrs	2.28	2.33	2.56
14	Inflat'n rate 10%	Over 5 yrs	3.72	3.75	3.38
15	Debs &	5 years	10.43	10.47	10.09
16	Loans	15 years	10.43	10.50	10.42
17		25 years	10.43	10.53	10.48
18	Preference †		10.35	10.38	10.90

♣Opening index 2364.3; 10 am 2371.4; 11 am 2381.0; Noon 2377.7; 1 pm 2379.4; 2 pm 2381.2; 3 pm 2380.3; 3.30 pm 2377.1; 4 pm 2379.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Allied Lyons (*450)	420	70	80	—	14	16	—
	460	47	58	—	32	35	—
	500	27	38	—	53	55	—
Brit. & Comm. (*555)	500	95	100	—	17	22	—
	550	63	80	—	35	40	—
	600	38	53	—	65	70	—
Brit. Airways (*161)	140	36	42	—	9	11	—
	160	26	34	—	18	20	—
	180	16	23	—	29	31	—
British Gas (*179)	165	30	—	—	9	—	—
	180	21	30	—	15	19	—
	200	13	20	—	30	33	—
B.P. (*384)	360	53	66	—	18	24	—
	390	41	55	—	35	41	—
	420	29	—	—	54	—	—
Britoil (*328)	300	54	64	—	16	20	—
	330	40	49	—	27	34	—
	360	27	—	—	48	—	—
Cons. Gold (*1349)	1200	230	—	—	50	—	—
	1250	200	230	—	70	80	—
	1300	175	205	—	95	105	—
	1350	155	180	—	115	125	—
Courtaulds (*495)	460	70	84	—	10	16	—
	500	46	62	—	26	34	—
	550	30	42	—	58	64	—
Com. Union (*375)	330	65	—	—	8	—	—
	360	45	55	—	18	21	—
	390	26	35	—	31	35	—
Cable & Wire (*432)	360	97	110	—	10	15	—
	390	75	85	—	15	27	—
	420	55	62	—	30	40	—
	460	35	—	—	48	—	—
G.E.C. (*240)	220	38	49	—	9	13	—
	240	27	36	—	17	22	—
	260	18	27	—	30	34	—
Grand Met. (*574)	500	100	—	—	8	—	—
	550	65	75	—	25	38	—
	600	40	53	—	50	55	—
I.C.I. (*1551)	1450	175	205	—	40	53	—
	1500	145	170	—	58	70	—
	1550	115	140	—	80	95	—
Land Securities (*581)	500	110	125	—	17	18	—
	550	75	93	—	27	35	—
	600	47	65	—	48	57	—
Marks & Spen. (*266)	240	43	49	—	9	13	—
	260	31	39	—	15	21	—
	280	20	—	—	25	—	—
Rolls-Royce (*120)	110	23	27	—	7	9	—
	120	18	22	—	13	15	—
	130	12	—	—	18	—	—
	140	9	—	—	23	—	—
Shell Trans. (*1464)	1400	170	—	—	57	—	—
	1450	138	170	—	78	92	—
	1500	115	147	—	107	127	—
	1550	88	—	—	140	—	—
Trafalgar House (*423)	390	58	70	—	13	20	—
	420	40	53	—	28	35	—
	460	22	35	—	55	62	—
TSB (*91)	80	19	—	—	2½	—	—
	90	13	17	—	5½	6½	—
	100	8½	11½	—	12	13	—
Woolworth (*408)	390	—	67	—	—	22	—
	400	50	—	—	28	—	—

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Bass (*996)	950	80	105	125	13	30	38
	1000	50	78	95	35	48	65
	1050	28	55	80	70	85	95
GKN (*392)	360	43	53	63	9	13	18
	390	26	37	46	22	25	28
	420	15	25	33	42	45	48
Jaguar (*589)	550	63	82	100	15	25	35
	600	32	52	70	37	43	50

Option		Calls Aug	Calls Dec	Calls Mar	Puts Aug	Puts Dec	Puts Mar
Barclays (*653)	550	107	117	130	3	10	17
	600	60	78	100	5	18	30
	650	28	45	70	25	42	47
Midland Bk (*625)	600	28	55	72	8	15	30
	650	5	30	47	40	42	47
	700	3	10	—	87	90	—

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
BAA (*141)	130	16	22	26	2	6	9
	140	8	16	20	5	9	13
	160	2	7	11	20	22	26
Brit Aero (*539)	500	47	65	85	4	18	25
	550	13	38	60	25	42	50
	600	2	20	37	62	73	82
BAT Inds (*632)	600	48	63	83	6	20	28
	650	15	38	57	27	43	50
	700	3	20	35	70	78	80
Brit. Telecom (*292)	260	33	36	—	1½	4	—
	280	14	24	36	5	13	17
	300	4½	14	23	18	22	29
Cadbury Schweppes (*277)	240	39	46	52	1	3	6
	260	20	31	38	3	8	12
	280	6	21	27	10	17	23
Guinness (*373)	330	45	57	67	2	7	11
	360	22	37	45	7	17	25
	390	5	22	33	27	33	40
Ladbroke (*444)	405	44	55	—	2	10	—
	420	—	—	58	—	—	22
	443	13	35	—	13	25	—
	460	7	24	38	27	37	40
LASMO (*390)	300	94	99	108	1½	2	5
	330	64	72	83	2	6	11
	360	38	52	67	6	13	19
	390	18	38	50	17	26	33
P. & O. (*746)	688	65	83	103	3	13	22
	750	20	45	65	18	35	45
	800	5	25	43	58	67	72
Plessey (*209)	200	15	26	36	4	8	12
	220	5	14	25	14	18	24
	240	1½	7½	15	32	36	40
Prudential (*1065)	1000	75	105	135	8	27	40
	1050	40	72	105	22	47	57
	1100	17	50	77	52	72	82
	1150	5	30	37	95	107	115
Racal (*279)	260	24	34	44	3	10	13
	280	11	23	34	10	19	23
	300	4	15	26	26	30	36
R.T.Z. (*1312)	1150	170	195	225	4	22	40
	1200	130	165	200	10	40	70
	1250	88	135	175	27	70	90
	1300	50	115	150	45	93	115
Vaal Reefs (*$147)	130	19	23	28½	3	8	13½
	140	10½	17½	24½	6	11½	17½
	150	5	12½	20½	10	15	19½
Tr. 11¾% 1991 (*106)	104	[illegible]	—	[illegible]	[illegible]	—	[illegible]
	106	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	108	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07 (*118)	116	[illegible]	[illegible]	—	[illegible]	[illegible]	—
	118	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	122	[illegible]	[illegible]	2	[illegible]	[illegible]	[illegible]

Option		Calls Sept	Calls Dec	Calls Mar	Puts Sept	Puts Dec	Puts Mar
Amstrad (*181)	160	27	36	44	4	8	11
	180	14	24	34	11	15	22
	200	7	16	21	23	26	32
Beecham (*567)	460	115	125	—	2	5	—
	500	77	90	105	3½	11	14
	550	38	58	73	13	27	32
	600	14	32	48	42	52	57
Boots (*322)	260	65	70	—	2	4	—
	280	47	53	65	4	7	11
	300	31	39	49	8	11	16
	330	14	28	34	19	24	28
BTR (*336)	280	63	67	—	1	3	—
	300	45	50	60	2	7	10
	330	21	31	40	9	17	20
	360	8	18	26	27	33	35
Blue Circle (*517)	475	50	67	—	7	20	—
	500	37	55	70	15	30	38
	550	12	34	45	47	55	60
De Beers (*1490)	1200	270	310	—	—	—	—
	1300	180	240	—	25	65	—
	1400	120	190	—	65	95	—
Dixons (*379)	351	34	—	—	5	—	—
	360	—	46	58	—	17	24
	381	18	—	—	18	—	—
	390	—	26	36	—	28	38
Glaxo (*1770)	1650	185	235	285	27	55	73
	1700	150	200	250	40	70	92
	1750	115	170	220	60	90	110
	1800	90	140	195	85	113	135
	1850	67	120	170	115	145	165
Hanson (*182)	160	—	30½	32	—	3	5
	165	20½	—	—	2	—	—
	180	9½	16½	19½	6	9	11½
	200	3	8	11	19	20½	23
Lonrho (*300)	273	31	41	—	6	9	—
	280	—	—	42	—	—	16
	300	13	24	29	16	19	25
Sears (*186)	140	48	52	57	1	1½	3
	160	28	33	39	1	3	6
	180	11	21	25	4½	8	12
Tesco (*195)	183	19	28	35	4	9	13
	200	9	15	27	13	16	20
	220	3	9	19	32	34	36
Thorn EMI (*746)	700	67	90	110	10	15	32
	750	38	63	82	28	40	62
	800	17	40	55	75	77	94
Trusthouse Forte (*277)	240	39	46	50	1½	4	6
	260	23	33	36	7	9	12
	280	11	21	25	15	17	21

Option		Calls July	Calls Aug.	Calls Sept.	Calls Oct.	Puts July	Puts Aug.	Puts Sept.	Puts Oct.
FT-SE Index (*2378)	2050	333	352	—	—	0½	1	—	—
	2100	283	302	—	—	0½	2	—	—
	2150	233	252	268	—	0½	2	8	—
	2200	183	207	223	—	0½	5	13	—
	2250	133	160	180	200	1½	11	18	38
	2300	83	118	142	160	1½	22	30	42
	2350	38	80	107	125	7	35	48	58
	2400	5	52	77	100	27	52	70	80

July 29. Total Contracts 33,779. Calls 23,614. Puts 10,165. FT-SE Index Calls 1,109 Puts 1,156. *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA | GERMANY | SPAIN | SWEDEN | SWITZERLAND | AUSTRALIA | HONG KONG | JAPAN | SINGAPORE | SOUTH AFRICA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | ITALY | NETHERLANDS | NORWAY — July 29 price tables: [illegible]

CANADA

TORONTO — Prices at 2.30pm July 29: [illegible]

MONTREAL — Closing prices July 29: [illegible]

Indices

NEW YORK — DOW JONES; STANDARD AND POORS; N.Y.S.E. ALL COMMON; RISES AND FALLS; and international indices (AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE): [illegible]

SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2312.0	2296.0	2334.0	2369.0 (23/7)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	2111.0	2110.0	2116.0	2124.0 (23/7)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	281.11	276.61	270.87	264.16	281.11 (29/7)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2912.50	2883.30	(u)	2852.00	2912.50 (29/7)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	659.4	658.0	648.4	651.7	659.4 (29/7)	559.7 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	462.8	460.50	459.1	480.30 (12/6)	361.3 (2/1)

TORONTO	July 29	July 28	July 27	July 24	1987 High	1987 Low
Metals & Minls	3,277.5*	3,238.10	3,256.89	3,283.29	3,264.40 (16/7/87)	1,988.2 (2/1/86)
Composite	3,995.8*	3,956.29	3,946.33	3,956.31	3,998.10 (16/7/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	2,008.08*	1,987.38	1,983.74	1,985.56	2,224.77 (16/7/87)	1,534.3 (2/1/86)

* Indicates pre-close figure

**Saturday July 25: Nikkei Index: 23,964.91.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day	Tuesday	Stocks traded	Closing Price	Change on day
Boeing	5,764,700	53¾	+7⅛	DPL Inc.	2,278,600	25½	(—)
Union Carb.	3,079,200	28½	−⅛	Pinnacle	2,208,600	30½	−1⅛
Amer. Expr.	2,759,300	36⅛	+⅞	Jim Walter	1,630,100	61½	+3
ATT	2,483,500	31⅛	+½	Niag. Mohwk.	1,498,900	14⅞	−⅛
Southern	2,381,600	23⅝	−⅜	Anheuser	1,487,000	36⅛	+1

LONDON — Most Active Stocks
Wednesday, July 29, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	19.8m	188½	− ½	Gen Elect	7.5m	240	+ 2
Hanson Tr.	17.8m	180½	− 1	Britoil	6.6m	331	+14
Sears	11.0m	185	+ 2½	Storehouse	6.6m	343	+11
ASDA-MFI	8.5m	204	+ 2	Lonrho	6.3m	300	+10
Mix Ryco	8.0m	120	+ 1	Dee Corp	6.2m	238	+ 7

TOKYO — Most Active Stocks
Wednesday, July 29, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Sumitomo Light Metal	37.28m	545	+ 15	Nippon Steel	19.99m	325	− 5
Nisshin Steel	34.88m	478	− 10	Nicho	19.12m	1,180	+ 80
Matsushita Elec. Ind.	34.24m	2,520	+120	Sharp	18.16m	1,330	+100
Nippon Light Metal	32.86m	485	+ 28	Tokyo Steel	16.22m	1,880	− 10
Kawasaki Steel	24.94m	250	− 10	Hitachi	13.68m	1,280	+ 50

LONDON Chief price changes
(In pence unless otherwise indicated)

RISES:											
BOC	552	+24	Ferguson (J.)	165	+22	Lonrho	300	+10	Smith (D. S.)	472	+30
Brit. Aero	542	+17	Hawk. Siddeley	630	+50	MBS	158	+12	FALLS:		
Britoil	331	+14	Howden	127	+10½	Olives Paper Mill	198	+32	Costain	382	−14
Cons. Gold Flds	£13⅝	+ 9/16	Lnd Secs	582	+11	Reed Intl.	583	+19	Ealing Electro-Ops	277	−14
			Laporte Inds	549	+25	RTZ	£13¼	+ ½	Elec Mchne	220	−40
						Stoth. & Pitt	180	+63	Thorn EMI	744	−12
						Vaal Reefs	£92	+ 2½			

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 37

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR s	.50	1.6	21	270	31¾	30¾	31⅛	−⅜
37	22	ADT	.92	2.9	18	233	31¾	31½	31⅝	−⅛
30	16¾	AFG s	.16	.6	10	676	28¾	28	28⅜	−⅛
22⅝	9⅜	AGS s			17	358	19⅛	18¾	18⅞	+¼
9⅝	4⅞	AM Intl				2135	7⅝	7¼	7⅝	+½
62⅞	49¼	AMR			13	6597	62½	60⅝	62½	+1⅞
27½	24⅞	ANR pf 2.67		10.		831	26½	26⅛	26½	−¼
25	22½	ANR pf 2.12		9.2		8	23	23	23	−⅛
11¾	8	ARX s			12	106	10½	10⅜	10½	
73½	30½	ASA	2a	2.9		1784	69	67¾	68⅜	+1½
20	9¾	AVX		2.0	32	158	16⅛	15¾	16	−¼
67	41	AbtLab	1	1.6	25	2709	63⅞	62⅛	63⅞	+1¾
28	24¼	Abitibi g				323	24⅞	24½	24¾	+⅜
28¾	16⅝	AccoW s .44		1.5	25	4249	28¾	28⅝	28⅝	
15⅜	9	AcmeC .40		2.7	15	187	15⅛	14¾	14¾	−⅛
8⅜	6⅛	AcmeE .32b		4.1	30	10	7⅞	7⅞	7⅞	+⅛
23⅞	19	AdaEx 3.42e		16.		204	22¼	21⅞	22	−⅛
19½	11⅜	AdmM s .24		1.6	11	223	14⅝	14½	14⅝	+⅛
25⅛	12⅛	AdvSys .62t		2.7	17	215	23¼	22¾	23	−⅜
24½	12⅞	AMD				1266	17⅞	17⅝	17⅞	
52¾	47	AMD pf	3	6.2		328	48¾	48¼	48⅝	+¼
11	5¼	Adobe				174	11	10⅞	10⅞	−⅛
20½	13¾	Adob pf 1.84		9.3		8	19⅞	19⅞	19⅞	+⅛
21⅞	16⅝	Adob pf 2.40		12.		8	20⅞	20⅝	20⅝	−⅛
15	10⅜	Advest .12a		.9	10	62	12⅞	12¾	12⅞	
68¼	53	AetnLf 2.76		4.7	9	3109	58⅞	58⅛	58⅜	−⅝
53⅝	51⅛	AetL pf3.75e		7.3		1	51⅝	51⅝	51⅝	−⅛
99	87¼	AetL pfC4.70e		4.9		299	95¾	95¾	95¾	−½
70½	26½	AhlPb s .32		.4	33	1745	u77¼	70½	75½	+5
27⅞	18⅝	Ahmans .88		4.4	7	3586	20¼	19⅞	20⅛	−⅛
5⅜	2⅞	Aileen				158	4	3⅝	4	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39¾	24½	PepsiCo	.58	1.7	20	6050	u39⅞	38⅝	39	+⅛
13⅞	10⅛	PerkF	n.85e	7.6	25	81	11⅜	11	11⅛	−⅛
41⅛	23⅛	PerkEl	.60	1.8	24	1353	32⅝	32	32⅝	+¼
8⅞	5½	Prmian	.38e	4.8	13	415	7⅞	7⅝	7⅞	+¼
9¾	8⅝	PrLP	pr1.15	12.		674	9¾	9½	9⅝	
18¾	9½	PeryDr	.22	1.8		449	12½	12	12½	+½
35⅝	24½	Petrie	.70	2.0	22	960	34½	34¼	34⅜	−⅛
21¼	17½	PtPar	n 2	11.		1168	19	18⅝	19	+¼
33½	26½	PetRs	2.57e	7.9		42	32¾	32⅜	32½	−⅛
20	15⅞	PetRs	pf1.57	8.9		3	17⅝	17½	17⅝	
2½	1	PtrInv	.07e	4.0		10	1¾	1¾	1¾	
77	58¼	Pfizer	1.80	2.5	16	2468	72¾	72	72½	+⅜
44⅝	16	PhelpD			29	3163	u44½	43⅝	44¼	+1⅛
64	51	PhlpD	pf 3	4.7		1	63½	63½	63½	
26	19⅛	PhilaEl	2.20	9.9	9	1765	22¼	22	22¼	
43⅞	36	PhE	pfA3.80	9.5		z600	40	39¾	40	−½
49⅝	39¼	PhE	pfB4.30	10.		z150	43	42	43	−2½
49	41	PhE	pfC4.40	10.		z90	43	43	43	
97⅞	80⅛	PhE	pfG8.75	10.		z1240	85½	85	85½	+1
106	93½	PhE	pfS9.50	10.		z70	93½	d93	93	−1
13⅞	12⅛	PhE	pfR1.41	11.		56	12⅝	12½	12⅝	+⅛
13¼	11⅛	PhE	pfP1.33	11.		32	11⅞	11¾	11¾	−⅛
88⅝	73½	PhE	pfH7.85	10.		z100	76½	76½	76½	+1⅛
12⅞	11	PhE	pfO1.28	11.		19	11½	11⅜	11½	+⅛
124	110	PhE	pfM15.25	13.		z770	113⅞	113	113	
105	91	PhE	pfL9.52	10.		z40	93¼	93¼	93¼	+¼
103	85	PhE	pfK9.50	11.		z310	90	90	90	+1
88	72½	PhE	pfJ7.80	10.		z420	76½	75⅞	76½	−½
19¼	14⅝	PhilSb	s .94	6.1	13	82	15⅝	15¼	15½	−⅛
98¾	63	PhilMr	3	3.1	14	4712	96⅝	95⅞	96⅝	+⅜
23	13	Philpl	s .44	2.0	17	345	22¼	21½	21⅞	−⅛
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
X Y Z										
81¼	51	Xerox	3	4.0	17	4406	74½	73¾	74½	−⅛
58¼	54¼	Xerox	pf5.45	9.8		687	55½	55⅜	55⅝	
28⅞	21½	XTRA	.64	2.3	20	436	28⅝	27⅞	28⅛	+½
25⅞	25⅝	XTRA	pf1.94	7.5		351	u26	25⅞	26	+¼
27⅞	15	Yorkin			13	136	27⅛	26⅞	26⅞	−⅛
7¼	2¼	Zapata				928	6¾	6½	6¾	+⅛
36¼	20¾	Zayre	.40	1.4	16	4108	29⅞	29½	29⅝	−¼
14¾	9¾	Zemex	.40	3.0	9	50	13⅝	13⅜	13⅝	+¼
29¾	18⅞	ZenithE			117	653	29½	28⅝	29⅛	+⅝
13½	8	ZenLab				457	10⅛	9⅞	10	−⅛
19½	12⅝	Zero	.36	2.0	18	566	17⅞	17⅜	17⅞	+½
29⅜	18⅝	Zurnln	s		20	275	28⅞	28⅛	28⅞	+⅝
10⅝	8¾	Zweig	n.85e	8.6		849	10	9⅞	9⅞	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Profiteers fail to discourage broad advance

WALL STREET

ONCE early profit-taking petered out, Wall Street shares prices were able to push ahead on a broad front to record levels yesterday, *writes Roderick Oram in New York.*

Help came from the dollar and bonds which strengthened during the afternoon once Congress passed a temporary increase in the government's debt ceiling to clear the way for a few more Treasury auctions.

The Dow Jones industrial average closed up 19.77 points at 2,539.54, its second record close running, with most of the gains coming in *the last half hour.*

Broader market indices gained hit record levels for the first time since July 17 with the Standard & Poor's 500 closing up 3.32 at 315.65 and the New York and American stock exchange composite indices adding 1.77 to 177.01 and 4.67 to 355.10 respectively.

NYSE volume was heavy at 196.2m shares with advances outnumbering declines by a ratio of two-to-one. Analysts said the increased breadth of the advance and strong institutional buying made them more confident that prices would rise further in the short-term.

Boeing remained one of the most active New York Stock Exchange issues but it fell $⅛ to $52⅞ amid continuing uncertainty of the intentions of Mr T. Boone Pickens. The Texas raider said earlier in a filing that he planned to buy a stake in the aircraft maker through Mesa Limited Partnership. Mesa, off $⅛ to $15¼, reported a sharp fall in second quarter profits because of lower natural gas prices.

Among other Dow constituents, Eastman Kodak added $3¼ to $93⅞ on a big return to profits while Exxon was unchanged at $92 and Du Pont gave up $⅝ to $123⅛ despite increasing their quarterly dividends.

Steel stocks attracted buying interest because of higher earnings. USX rose $½ to $38 after a 10-fold increase in profits and Bethlehem added $¼ to $18⅜ after returning strongly to the black. Inland Steel rose $1⅜ to $34⅝ and Florida Steel added $1⅛ to $38½.

Gerber Products made further sharp gains adding $5½ to $61½. Speculation mounts that the baby foods producer is a takeover target, perhaps of Quaker Oats which rose $1⅜ to $52⅞.

Affiliated Publications soared a further $5 to $75½ after rising $4¼ on Tuesday. The owner of the Boston Globe newspaper and other publications stands to gain substantially from its 44.4 per cent stake in McCaw Communications when the later's McCaw Cellular Communications makes an initial public offering soon. First Boston estimates Affiliated's shares will be worth $90 after the offering.

Borden rose $3 to $62⅜. Its board approved transfer of a petrochemical complex to a master limited partnership, the majority interest of which be sold to the public.

Credit markets trading was thin and lacklustre while investors and dealers waited for Congress to re*solve the impasse over the federal* Government's debt ceiling. Passage by the House of a temporary increase to $2,320bn until August 6 helped lift prices during the afternoon.

The 8.75 per cent Treasury long bond traded in a narrow range was up ¹⁄₃₂ of a point at 99⁷⁄₃₂ yielding 8.82 per cent in late afternoon.

Short-term rates were little changed with the bond equivalent yield on three-month Treasury bills up one basis point at 6.01 per cent. Dealers were reported to be setting up short positions ahead of the wave of bills sales in coming days made possible by the increased ceiling.

The Treasury postponed, however, its announcement of the composition of the August quarterly refunding until it is sure that a permanent ceiling increase would allow the auctions to go ahead. The original plan was for sales next week with settlement on August 17. Postponement of at least a week is likely.

CANADA

PRECIOUS and base metal issues spurred a widespread rally in Toronto share prices in busy trade.

Falconbridge and Cominco led the advance, rising C$⅜ and C$⅝ respectively to C$27⅜ and C$21⅝. Inco was C$½ higher at C$27½ and Nor*anda C$1 up at C$35.*

Energy shares also firmed. Texaco Canada moved up C$1 to C$39¼ and Gulf Canada Resources was C$⅛ stronger at C$29⅝. Dome Petroleum inched 1 cent up to C$1.12.

Golds followed the bullion price higher. Placer was most active in *the sector and put on C$1⅛ to C$24.* Dome Mines rose C$⅛ to C$20¼.

Montreal and Vancouver both rose.

SOUTH AFRICA

THE PRICE of platinum and other precious metals again gave direction to Johannesburg as gold and platinum shares led the market up strongly before easing from their highs in late profit-taking.

Impala Platinum, hit by a work stoppage at its refinery near Johannesburg, was 75 *cents* ahead at R54.75, while Rustenburg Platinum *rose R1.25 to R60.25 following con*firmation of its plans to develop in the black "homeland" of Lebowa.

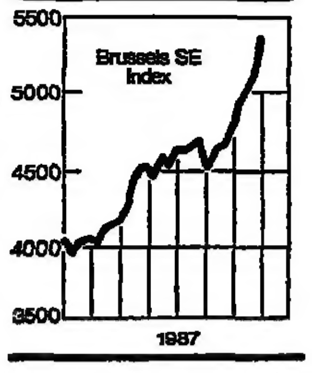
Advances in golds included Randfontein, up R23 at R465, and Vall Reefs, R10 ahead at R482.

Industrials benefited from the broad market advance, with Barlow Rand 25 cents higher at R25.75.

William Dawkins reports on a long-running bull market

Belgian ascent provokes warnings

BELGIUM



THE BRUSSELS bourse hit a new high yesterday, but stockbrokers warned that the present strong bull market could soon weaken.

The main Return Index, which measures income reinvested as well as capital gains, yesterday hit a record 5,374, up 28 points from Tuesday and 31.25 per cent above its level at the turn of the year. The Cash Index of unadjusted capital gains stood at 3,513 yesterday, 4.5 per cent up on last Friday and 28 per cent above its January level.

Among the strongest gains of the past few days have been the Solvay chemicals group, with a 6.5 per cent price increase since Monday, the supermarket group GB-Inno, which has managed a 5.8 per cent advance over the past three days, and Petrofina in oil exploration, with a 3 per cent rise over the same period.

Shares in Delhaize, another supermarket group, Petrofina and Solvay all hit new highs yesterday, though the oil group ended trading slightly down on its opening level because of late profit-taking.

Stockbrokers De Waay reported a surge in small buying orders from private Belgian investors, joining in the wave of interest shown in recent weeks from foreign institutional buyers. Several large British stockbroking firms were active buyers on the bourse yesterday.

Investors have also taken heart from last week's quarter of a percentage point cut in the Belgian dis*count rate to 7.5 per cent.*

However, De Waay warned that the stock market's average prospective earnings ratio of 13.5 fully reflected its growth prospects and that share prices were unlikely to be able to sustain their recent strong advance.

Speculation has been particularly strong recently in the shares of Société Générale, Belgium's largest holding group, following the build-up of a significant stake by a group of un-named investors.

However, this has died away over the past week, so that Société Gén*érale closed yesterday* at BFr 4,170, down from its July 17 peak of BFr 4,200. Turnover in Société Générale yesterday was a mere 36,000 shares, as against 150,000 shares at the height of the speculation over its future.

EUROPE

Frankfurt weathers bank news and joins fiesta

SUMMER-TIME optimism was sustained across Europe with selective international buying and domestic stimuli extending record runs in Belgium, Spain and Sweden while lifting Amsterdam and Oslo to fresh highs.

Frankfurt rose again after weathering a bout of profit-taking and news that Deutsche Bank's first-half earnings were halved through pressure on interest rate margins. The FAZ index moved up 4.19 to 646.80, and the Commerzbank index rose 11.7 to 1,985.1.

Deutsche Bank's results did not surprise the market and left its stock just DM 1.20 off at *DM* 645.80. Other banks continued to firm, Dresdner by *DM 2 to DM 339.50* and Commerzbank by DM 1 to DM 290.50.

Bayernhypo said squeezed interest rate margins and higher costs hit first-half profits. However, its share rose DM 6.50 to 452.50.

Retailers shone on the promise of *strong summer sales.* Karstadt was up DM 9 at DM 529, Kaufhof DM 7.70 at DM 508.20 and Horten DM 1.50 to DM 327.

Engineers, though, closed mixed following news that June orders for the sector shrank 13 per cent in real terms. KHD fell DM 3.80 to DM 170 *and MAN shed DM 1.50 to DM* 188.50. Mannesmann managed a DM 1.50 gain to DM 175. Car issues were slightly stronger.

Amsterdam sneaked higher on demand for internationals as the publishing dogfight continued to stir up the market. The all-share in*dex rose 0.8 to* a record 102.1.

Philips revealed a fall in first-half sales but a rise in profits over the period which together disappointed expectations. It fell Fl 2.10 to Fl 53.30.

KLM, however, edged Fl 1.10 higher to Fl 54.50 and Royal Dutch picked up Fl 5 to Fl 288.10 as Gulf tensions boosted crude prices.

LONDON

***STRONG** rises in oils and golds* **helped London equities extend their recovery amid growing worries over the situation in the Gulf of Oman.**

The FT-SE 100 index closed up 23.2 at 2,383.1 and the FT ordinary index was 18.4 higher at 1,874.4.

Government bonds were less buoyant and shed gains later in the session after trading a narrow range. Details Page 34

Wolters Samsom climbed Fl 1.50 to Fl 129.50. Its agreed bid for fellow *publisher Kluwer closes today. Klu*wer was Fl 2 up at Fl 441. The stock exchange said Kluwer will be suspended from 11.30am today prior to the close of Wolters Samsom's offer. Rival bidder Elsevier edged 10 cents up to Fl 53.00.

NatNed, the country's biggest in*surer, rose Fl 1 to Fl 78.30. It said it* is likely to sell Wolters Samsom its five per cent stake in Kluwer.

Zurich closed mixed to firmer in busy trade.

Nestlé bearers saw another busy session and gave up SFr 50 to SFr 10,350.

Chemicals were little changed. Ciba-Geigy bearers slipped SFr 30 to SFr 3,970, Sandoz bearers fell SFr 400 to SFr 14,400 but Hoffmann-La Roche 'baby' shares rose SFr 50 to SFr 14,800. Banks and insurers were closely mixed.

Oslo was another record-breaker as the rise in crude prices stemming from Gulf worries buoyed oils. The all-share index jumped 6.83 to 356.73.

Saga Petroleum, the country's biggest private oil group, added NKr 6.50 to NKr 126, while Norsk Hydro rose NKr 3 to NKr 240.50.

Stockholm rose to a new peak on sustained domestic buying. The Veckans Affarer all-share index was up 1 at 1,077.0, representing a 14 per cent rise overall since late May.

Carmaker Volvo kept up momentum with a SKr 7 to SKr 374 to take its gains over the last six sessions to SKr 32 and a series of 12-month highs.

Pharmacia at SKr 215 was SKr 4 higher in a strong blue chip sector.

Madrid also peaked again as large gains by banks and market-leader Telefonica offset profit-taking on chemicals. The general index rose 4.50 to a record 281.11.

Of the strongest banks, Bilbao added 69 percentage points to 1,600 per cent of nominal market value, *Banesto 40 points to 905 per cent,* Santander 20 points to 1,341 per cent and Central 13 points to 1,035 per cent.

Telefonica was 11.25 points higher at 237 per cent. Chemicals were broadly lower, with explosives 45 points down at 865 per cent.

Paris moved higher, buoyed by Wall Street and technical factors, though blue chips benefited most from the reawakened investor confidence.

Milan rose marginally in thin trade as the market cautiously welcomed the formation of a new rul*ing coalition.*

ASIA

High-techs lift Nikkei amid spate of records

TOKYO

STRONG BUYING of high technology and commodity-sensitive stocks late in the day drove equities higher in *Tokyo yesterday for the sixth* session running, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average rose a moderate 41.30 points to close at 24,427.12. Volume expanded from Tuesday's 751m to 1.09bn shares, surpassing the billion level for the *first time since* July 3. Advances led declines by 538 to 393, with 87 issues unchanged.

Prices opened higher across the board, with the key indicator climbing 151 at one stage early in the morning. The strength was helped by an overnight record-breaking surge on Wall Street. Active buying by securities companies, sparked by expectations that a greater number of institutional investors will participate in the market, also lifted sentiment.

The Nikkei shed 67 points at the *start of afternoon trading* as the wave of buying petered out. But it rallied strongly towards the close on buying focusing on high-tech issues and those sensitive to commodity market movements.

Brokers said the consensus in the market during the afternoon was that high-tech and commodity-linked stocks would lead the market for the time being. Large-capital and domestic demand-related issues weakened.

Matsushita Electric Industrial was among the best performers, with heavy volume of 34.24m shares. It climbed Y120 to an all-time high of Y2,520, eclipsing the previous peak of Y2,520 scaled on July 20.

Following Matshushita's upsurge, Ricoh Co. firmed Y60 to Y1,160, Sharp Y100 to Y1,330, Nippon Kogaku Y67 to Y939 and Taiyo Yuden Y140 to Y1,560, due to investor appraisal of brisk demand for high-tech products and improving export earnings.

Reflecting a recovering aluminium market, Sumitomo Light Metal was the most active stock, with 37.26m shares traded, gaining Y16 to Y545. Nippon Light Metal, with 32.06m shares added Y28 to Y495.

Mining issues also drew popularity on news that spot copper prices hit a 22-month high on the London Metal Exchange overnight. Sumitomo Metal Mining jumped Y60 to Y640 and Dowa Mining Y20 to Y590.

Some chemicals hardened, with Shin-Itsu Chemical advancing Y90 to Y2,090 and Nippon Shokubai Kagaku Kogyo Y50 to Y1,750, while a segment of biotechnology-related stocks spurted, with Ono Pharmaceutical sprinting ahead Y440 to Y1,970.

Conversely, major domestic demand-linked stocks dipped across the board on light selling. Tokyo Electric Power slumped Y280 to Y6,000, Tokyo Gas Y75 to Y985, Nisshin Steel, second busiest with 34.89m shares shed Y10 to Y470 and Nippon Steel lost Y5 to Y325.

Elsewhere, NTT fell Y80,000 to Y2.41m. Financial stocks were sold on a broad front, with Nomura Securities dropping Y170 to Y4,400 and Tokio Marine and Fire Insurance Y60 to Y2,130.

Bonds moved widely in busy trading by dealers, despite the absence *of fresh market factors.*

The yield on the 5.1 per cent 10-year government bond due in June 1996 fell slightly from Tuesday's 4.860 per cent finish to 4.850 per cent in the morning on strong buying by a big securities company. It ended at 4.830 per cent in block *trading on* the Tokyo Stock Exchange after rising to 4.915 per cent at one stage in the afternoon.

After the close, the yield declined further to 4.805 per cent in inter-dealer trading.

THE SEOUL stock market moved to a record for the second day running in heavy trading, with the composite index edging up 1.39 to a peak of 474.98 after its 6.57 rise on Tuesday. Insurers and oils performed particularly well. Out of 382 stocks traded, 58 scored daily limit gains. Clothing stocks were among the losers; about 2,000 textile workers in Ulsan, south east of Seoul, have been on strike for three days in support of better wages and conditions.

AUSTRALIA

COMMODITY price movements again provided the key to share trading in Sydney as gains in precious metal and oil prices lifted the market to record levels.

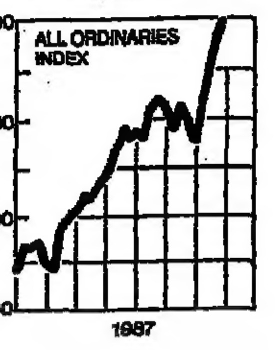
Industrials were also firm, helping to take the All Ordinaries index 17.8 higher to just below the 2,000 level at 1,999.8 and beating Friday's record. The gold index climbed back 84.1 to 3,662.3.

Elders IXL continued to attract interest, with 2.4m shares changing hands, but closed unchanged at A$5.12. BHP was off 5 cents at A$10.40 and Bell Resources lost 4 cents to A$5.24.

But industrials ICI and Lend Lease both rose 15 cents to A$4.95 and A$16.20 respectively, while *TNT and Amatil were 18 cents high*er at A$5.66 and A$9.06 respectively.

Among the leading miners, CRA recouped 25 cents of its 35-cent loss on Tuesday to end at A$10.15 and MIM rose 17 cents to A$3.05 on 8.8m shares traded.

Oil issue Santos recovered 14 cents to A$7.34.



HONG KONG

A HECTIC session in Hong Kong saw share prices surge to new peaks on an inflow of cash. The Hang Seng index climbed 52.27 to 3,389.73, while the Hong Kong index was 35.35 higher at 2,210.35.

Turnover swelled to HK$1.73bn worth from HK$1.41bn on Tuesday.

Among the biggest gains, Jardine Matheson rose 90 cents to HK$19.90, just 10 cents off its 1987 peak following a broker's recommendation.

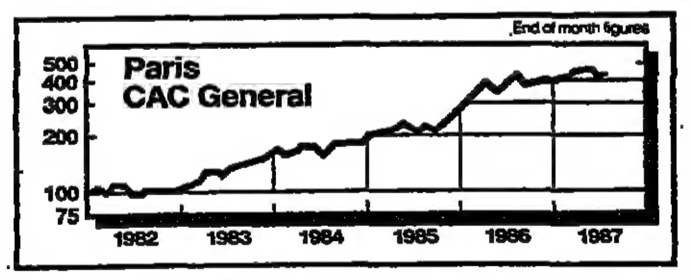
Properties were strong, with Sun Hung Kai climbing 60 cents to a year's high of HK$18.50, Hang Lung up 30 cents at HK$16 and Henderson adding 20 cents to HK$7.45, also a 1987 record. But Cheung Kong was steady at HK$12.40 amid speculation that it might make a further share placement.

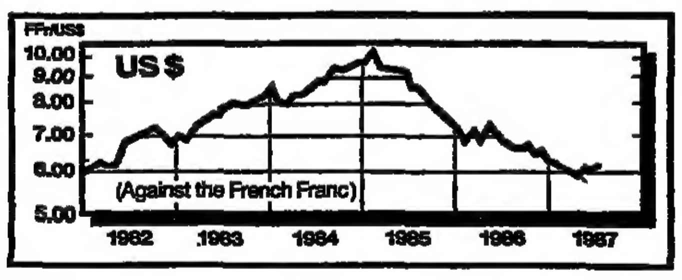
SINGAPORE

AN EARLY advance was trimmed by profit-taking in Singapore and prices ended mixed, although the Straits Times industrial index rose 5.81 to 1,383.10.

First Capital saw 3.8m shares traded, closing unchanged at S$1.98, while UIC was up 6 cents at S$3.96 on 1.4m shares.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 29	Prev	Year ago
NEW YORK			
DJ Industrials	2,526.47*	2,519.77	1,766.87
DJ Transport	1,063.09*	1,058.09	711.00
DJ Utilities	200.45*	200.39	203.28
S&P Comp.	313.67*	312.33	234.55
LONDON FT			
Ord	1,874.40	1,856.00	1,280.30
SE 100	2,383.10	2,359.90	1,556.40
A All-share	1,210.46	1,198.96	775.34
A 500	1,334.61	1,321.41	850.25
Gold mines	454.20	440.0	193.20
A Long gilt	9.44	9.44	9.56
World Act. Ind (July 27)	129.48	129.50	93.45
TOKYO			
Nikkei	24,427.12	24,385.82	17,728.9
Tokyo SE	2,022.81	2,028.28	1,434.20
AUSTRALIA			
All Ord	1,999.80	1,981.1	1,105.1
Metals & Mins.	1,291.50	1,260.5	500.0
AUSTRIA			
Credit Aktien	218.20	221.30	229.61
BELGIAN SE	5,374.30	5,346.30	3,625.59
CANADA			
Toronto			
Met.& Mins.	3,277.5*	3,236.10	1,954.00
Composite	3,995.8*	3,956.20	2,934.80
Montreal			
Portfolio	2,009.68*	1,987.38	1,481.95
DENMARK SE			
SE	(-)	204.96	200.01
FRANCE			
CAC Gen	416.60	413.80	379.0
Ind. Tendance	107.50	106.70	90.20
WEST GERMANY			
FAZ-Aktien	646.80	642.61	602.76
Commerzbank	1,958.10	(-)	1,809.3
HONG KONG Hang Seng	3,389.73	3,337.46	1,860.01
ITALY Banca Comm.	686.00	683.71	729.33
NETHERLANDS ANP CBS			
Gen	318.20	315.80	281.5
Ind	271.60	269.30	283.4
NORWAY Oslo SE	465.57	456.54	332.92
SINGAPORE Straits Times	1,383.10	1,377.20	743.44
SOUTH AFRICA JSE			
Golds	–	2,312.0	1,341.5
Industrials	–	2,111.0	1,216.8
SPAIN Madrid SE	281.11	276.61	173.09
SWEDEN J & P	2,912.50	2,883.30	2,448.76
SWITZERLAND Swiss Bank Ind	659.40	658.0	507.3

COMMODITIES (London)

	July 29	Prev
Silver (spot fixing)	501.35p	483.75p
Copper (cash)	£1,094.00	£1,075.50
Coffee (Sept.)	£1,213.00	£1,232.00
Oil (Brent Blend)	$19.95	$19.75

GOLD ($/oz)

	July 29	Prev
London	$458.25	$455.75
Zürich	$457.95	$456.50
Paris (fixing)	$457.03	$452.30
Luxembourg	$459.50	$453.85
New York (August)	$457.60*	$457.00

CURRENCIES (London)

	US DOLLAR July 29	US DOLLAR Previous	STERLING July 29	STERLING Previous
$	–	–	1.6005	1.5990
DM	1.8580	1.8570	2.9725	2.97
Yen	150.70	150.40	241.25	240.50
FFr	6.1775	6.18	9.8875	9.8825
SFr	1.5390	1.5375	2.4625	2.4575
Fl	2.0925	2.0925	3.35	3.345
Lira	1,346.50	1,343	2,155	2,147.5
BFr	38.50	38.55	61.60	61.65
C$	1.3325	1.3330	2.1335	2.1315

INTEREST RATES

	July 29	Prev
Euro-currencies (3-month offered rate)		
£	9⁷⁄₁₆	9⅝
SFr	3¾	3¹¹⁄₁₆
DM	4	4⅛
FFr	8⅛	8³⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	7	7¹⁄₁₆
6-month US$	7¼	7⅜
US Fed Funds	6⅝*	6⅝
US 3-month CDs	6.60*	6.875
US 3-month T-bills	5.885*	6.04

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 29	Latest	High	Low	Prev
(Sept)	89-23	89-25	89-10	89-15
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.84	93.84	93.81	93.84
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.68	92.70	92.67	92.69
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	120-02	120-07	119-30	120-00

US BONDS

Treasury

	July 29 Price	July 29 Yield	Prev Price	Prev Yield
7¼ 1989	99²⁹⁄₃₂	7.583	99²⁷⁄₃₂	7.586
7 1994	97¹⁴⁄₃₂	8.43	97¹²⁄₃₂	8.424
8½ 1997	99⁷⁄₃₂	8.61	99¹⁰⁄₃₂	8.602
8¾ 2017	98³⁰⁄₃₂	8.865	98²⁹⁄₃₂	8.856

Source: Harris Trust Savings Bank

Treasury Index

July 29

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1–3	144.03	+0.07	6.37	−0.03
3–5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.08

Source: Merrill Lynch

Corporate

	July 29 Price	July 29 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	uch	uch	92.97	6.50
SCBT South Central 10⅞ Jan 1993	uch	uch	102.0	10.40
Phibro Sal 8 April 1996	uch	uch	91.20	9.50
TRW 8⅞ March 1996	uch	uch	95.91	9.45
Arco 9⅞ March 2016	uch	uch	99.27	9.95
General Motors 8⅝ April 2016	uch	uch	82.76	9.95
Citicorp 9⅞ March 2016	uch	uch	90.24	10.45

Source: Salomon Brothers

* Latest available figures